PROVINCIAL AUDITOR
of Saskatchewan

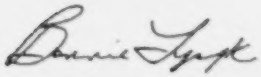
July 18, 2012

The Honourable Dan D'Autremont
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour to submit my *Annual Report on Operations For the Year Ended March 31, 2012* to be laid before the Legislative Assembly under the provisions of Section 14.1 of *The Provincial Auditor Act*. The information in this report reflects known events up to June 25, 2012.

Respectfully submitted,



Bonnie Lysyk, MBA, CA
Provincial Auditor

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Reflections of the Provincial Auditor

Reflections of the Provincial Auditor

It is a pleasure to present the results of the operations of our Office for the twelve months ending March 31, 2012.

One objective of this report is to communicate who we are and what we do. We are auditors. We work on behalf of the Legislature and the citizens of Saskatchewan to contribute to better program performance, better parliamentary control and improved public confidence. Page 6 in the Context section and Exhibit 1 on page 8 provide some details on what we do and the impact of our work.

A further objective of this Annual Report is to report back on the accountability cycle that began when the Office tabled the *2012 Business and Financial Plan* in December 2010.

During the past year, we engaged in an extensive strategic planning exercise which resulted in a new strategic plan that was published in January 2012 in our *2013 Business and Financial Plan*. Next year, we will be reporting our results in comparison to that Plan.

Under the *2012 Business and Financial Plan*, we worked toward three goals:

- to foster well-managed government
- to encourage meaningful reporting by government
- to manage our business activity effectively

The Performance section of this report, beginning on page 21 summarizes the targets and results for these goals. The Financial Highlights section, which begins on page 31, provides additional financial information.

In summary, the Office was able to achieve all of the goals we established in our 2012 plan. However, while our agency satisfaction results are favourable, the response rate over the last five years has averaged at 41%. A higher response rate will make us aware of the level of satisfaction of the other 59% of agencies so that we can respond accordingly. We continue to encourage agencies to respond.

The past year was a busy year for our Office. We issued Volume 1 and Volume 2 of the 2011 report, which contained many chapters covering the audit work performed for approximately 270 entities. On top of this more normal recurring work, we also completed the following initiatives this year:

- created a new strategic plan discussed above
- adopted an updated organization structure (page 9) which was included in our *2013 Business and Financial Plan* that was tabled in January 2012
- developed and adopted a new look or "logo" for the office effective June 2012 which impacts all reports issued by the Office as well as our business cards, letterhead and external and internal documents

- developed a new reporting format that was implemented with the release of Volume 1 in June 2012
- developed a new look for our website
- negotiated a new 10 year lease for our premises in a tight commercial rental market

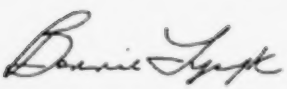
At the end of the past year, Mr. Mike Heffernan, retired as Deputy Provincial Auditor, Gaming Division after serving the people of Saskatchewan for 35 years as a member of the Office of the Provincial Auditor. We wish him all the best in his retirement. Mike's retirement led to the promotion of Mr. Kelly Deis to Deputy Provincial Auditor. As well, Ms. Judy Ferguson was promoted to Assistant Provincial Auditor, Ms. Angèle Borys was promoted to Deputy Provincial Auditor and Chief Operating Officer and Mr. Mark Anderson was promoted to Executive Director, Strategic Initiatives. Work was undertaken to fill existing vacancies with non-accountant and senior audit professionals.

Our Office's success depends on the efforts of many people. Legislators' careful public review of our reports helps us in ensuring that our work makes a difference. As well, Legislators have continually supported the work of the office by providing funds needed to audit the Government. For the last seventeen years, legislators have consistently supported the Office's budget requests.

Government officials and appointed auditors also contribute to our Office's success. Historically, we have had excellent co-operation from the organizations we audit, and this year was certainly a continuation of that co-operative mindset. Without the Government's co-operation and assistance, we would be unable to report on the quality of its management systems and processes to the Legislative Assembly.

Finally, I would like to say a personal "thanks" to the terrific team of skilled, hard working and dedicated professionals in my office whose work continues to make a difference in serving the Legislative Assembly and the citizens of Saskatchewan!

Sincerely,



Bonnie Lysyk, MBA, CA
Provincial Auditor

Context

Independence

The Provincial Auditor Act creates an independent Officer of the Legislative Assembly called the Provincial Auditor. The Act gives the Provincial Auditor the responsibility to audit all government agencies and report the results to the Legislative Assembly.

The Act ensures that the Provincial Auditor is independent from elected and appointed officials including the Assembly's committees and boards. The Standing Committee on Public Accounts, an all-party committee that does not include cabinet ministers, unanimously recommends the Provincial Auditor for appointment by the Legislative Assembly for a 10-year term. A resolution of the Legislative Assembly is required to remove the Provincial Auditor from office.

The Act also requires the Standing Committee on Public Accounts to recommend the annual funding for the Provincial Auditor's Office. The Act sets the Provincial Auditor's salary and benefits. The Provincial Auditor also has managerial independence including deciding which employees to hire, what audit work needs to be done, and how the work is carried out.

The Office's policies require all employees to confirm annually whether they have relationships with the Government that could be perceived to affect their independence and objectivity. Also, generally accepted auditing standards require that the Provincial Auditor confirm her independence and objectivity. Bonnie Lysyk confirms that she is independent and objective with respect to the Government of Saskatchewan within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Saskatchewan.

Who We Serve

The Office of the Provincial Auditor helps the Legislative Assembly hold the Government accountable for how it manages public resources. Our Office examines the Government's management of public resources and reports the findings to the Assembly.

What We Do

Our Vision

A valued and independent legislative audit office, inspiring and advancing excellence in public sector performance, accountability, and sustainability.

We Envision

A transparent and accountable government delivering effective programs that meet the needs of the people of Saskatchewan.

Our Mission

To serve the Members of the Legislative Assembly and the people of Saskatchewan, we provide independent assurance and advice on the management, governance, and effective use of public resources.

How We Carry Out Our Mission

To fulfill our mission, we provide independent assurance (audit reports) and advice on the Government's management of and accountability practices for the public resources entrusted to it. We:

- Advise the Legislative Assembly on:
  - the reliability of the Government's financial and operational information
  - the Government's compliance with legislative authorities
  - the adequacy of the Government's management of public resources
- Encourage discussion and debate about public sector management and accountability issues
- Assist the Standing Committees on Public Accounts and Crown and Central Agencies
- Develop professionals for public service
- Support and adhere to the accounting and assurance standards published by The Canadian Institute of Chartered Accountants

Our Reports

We report our assurance and advice to the Legislative Assembly and the Government.

At the end of each audit, we issue a final report to the Minister responsible, to senior officials of the agency and, if applicable, to the chair of the board of directors. We also send a copy to the Chair and Secretary of Treasury Board and to the Provincial Comptroller.

We provide the Assembly with our audit reports (assurances) on the reliability of the financial statements and other performance reports issued by government agencies.

We report directly to the Assembly each year. These reports contain the matters that we think are significant to the Assembly and the public. We decide what matters to report using the following questions:

- Does the matter affect the Assembly's ability to control the financial activities of the Government?
- Does the matter affect the Assembly's ability to hold the Government accountable for how it administers public money?
- Does the matter involve improving how the Government administers public money?
- Does the matter involve non-compliance with legislative authorities?

We assess these questions of what to report for specific government sectors, programs, agencies, and for the whole Government.

When an agency's financial statements, compliance with authorities, and processes to safeguard public resources are satisfactory, we also report that information to the Government and the Legislative Assembly.

Outcomes of Our Work and Reports

Exhibit 1 on page 8 shows the outcomes of our work.

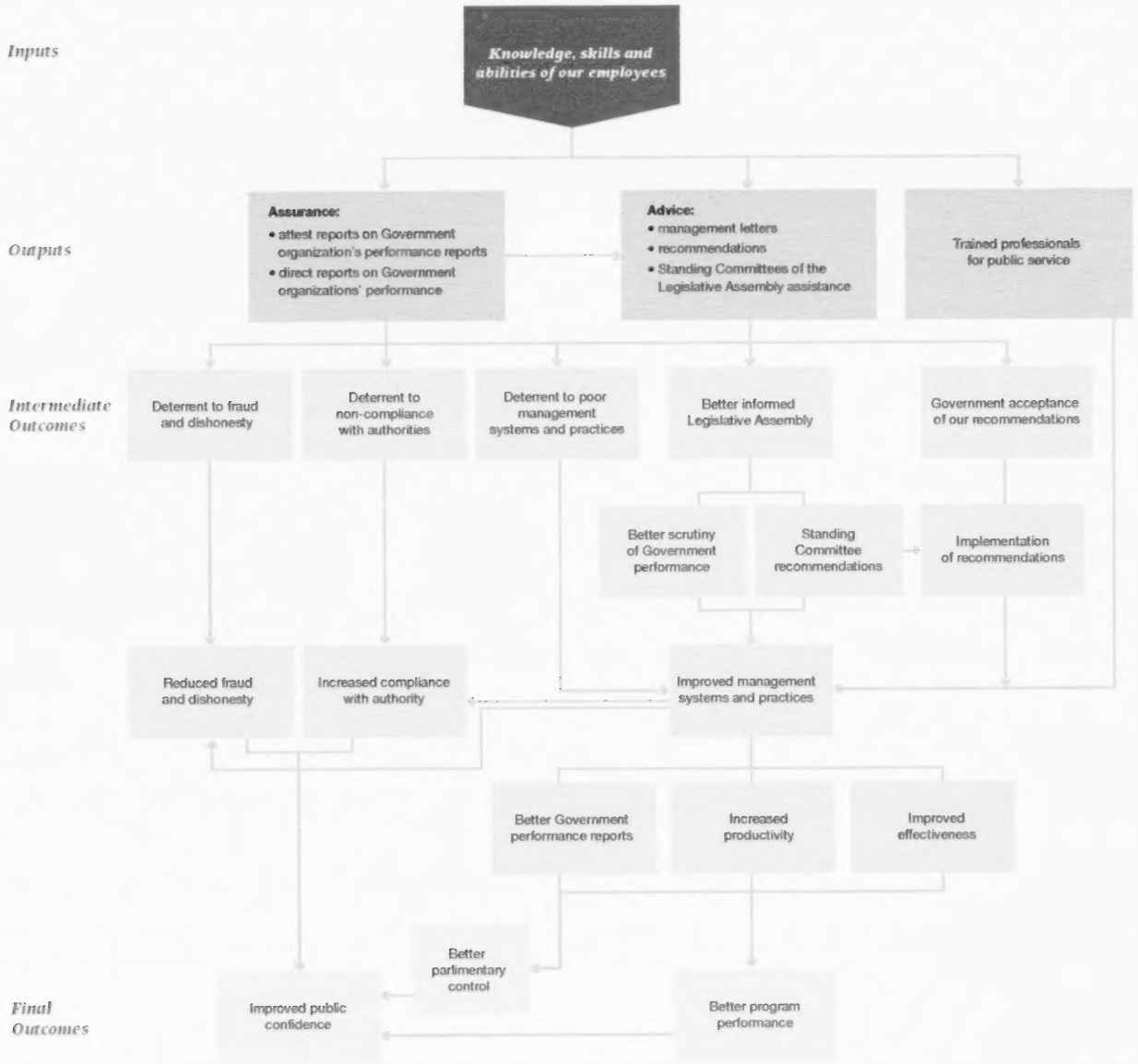
For our parliamentary system of government to work properly, it must have the public's confidence. To merit this confidence, the Government's programs must be effective. Also, the Government must be open and accountable to the public.

Our work and reports affect public confidence in the Government. They provide the public with confidence that the Government's financial and other reports are reliable, the Government uses adequate processes to safeguard public resources, and the Government has complied with governing authorities.

One important responsibility of the Legislative Assembly is to hold the Government accountable for its management of public resources. By providing relevant, reliable, and timely reports, we help the Assembly to carry out this responsibility.

Our work and reports call for public accountability for government operations and sound management. They contribute to informed decision making in government and business-like processes. This helps the Government carry out its responsibility to use sound management practices.

Exhibit 1—What We Do and The Impact of Our Work



Our Competencies

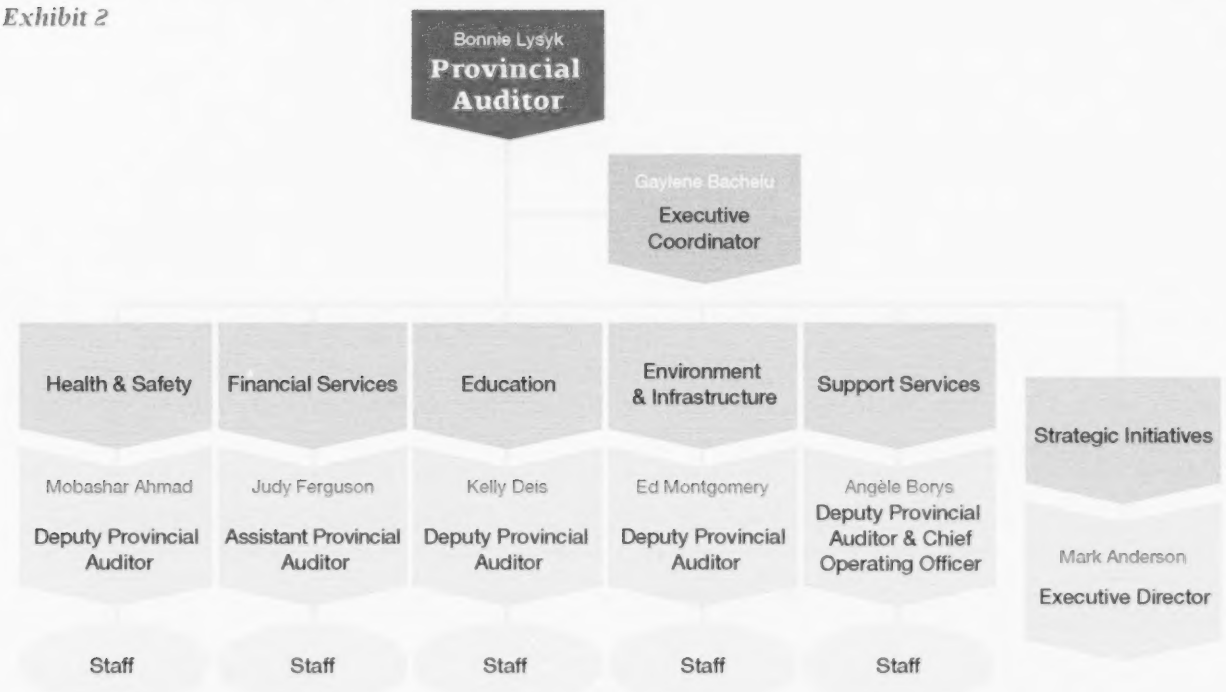
Our knowledge, skills, and abilities affect what we do for the public, the Legislative Assembly, and the Government. We apply the following competencies and experience to our work and reports:

- objectivity, because of our full independence from the Government (i.e., ministries, Crown corporations, boards, commissions, funds)
- thorough knowledge of the:
  - complex structure and systems the Government uses to manage public resources
  - structure of legislative authorities governing the activities of government agencies related to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing
  - audit of information technology systems
  - accounting and assurance standards published by The Canadian Institute of Chartered Accountants
- working knowledge of the issues facing government agencies operating in diverse types of businesses including education, health, insurance, protection of people and property, pension and benefit plans, energy, telecommunications, gaming, transportation, renewable resources, non-renewable resources, human resources, construction, and financial services
- a business view derived from rigorous professional training that we blend with our practical knowledge of public administration

Our Organization

Our organization effective April 1, 2012:

Exhibit 2



During the year, we transitioned to a new organization structure to reflect decisions made during our strategic planning process. Exhibit 2 reflects the new structure effective April 1, 2012.

Our Health and Safety Division's responsibilities include examining the Government's programs related to health (including regional health authorities), justice, workplace safety, social services (including child and family services, social assistance, and housing), the Workers' Compensation Board, SaskEnergy, and a number of other government organizations. For 2011-12, health and social services accounted for 50% of the expenses of the General Revenue Fund. Auditing the delivery of health care, safety, and social services requires our staff to understand risks associated with these programs.

Our Financial Services Division's responsibilities include leading the audit of the Summary Financial Statements for Saskatchewan. This Division is also responsible for our audits of the Crown Investments Corporation of Saskatchewan, pension plans, and a number of other government organizations including the General Revenue Fund.

Our Education Division's responsibilities include examining the Government's education, training, and corrections programs, SaskTel, and a number of other government organizations. The education sector covers early childhood development, pre-kindergarten to grade 12 education, technical training, and post-secondary education (including the audits of the University of Saskatchewan, University of Regina, and SIAST).

Our Environment and Infrastructure Division's responsibilities include examining the Government's programs related to the environment, energy and resources, SaskPower, physical infrastructure (including highways and watersheds), and a number of other government organizations. This Division is also responsible for our government-wide information technology audits.

Our Strategic Initiatives portfolio's work includes cross government audits and special projects including governance reviews.

Our Chief Operating Officer's Division's responsibilities include human resources, training, information technology, and administration.

At March 31, 2012, our Office employed 57 people. Thirty of our employees are professional accountants. Sixteen are training to become professional accountants.

Our employees are our most valuable resource because "what we do" depends on their knowledge and skills. Creating and maintaining an environment that encourages and rewards ongoing learning is crucial to our success.

What We Planned To Do

Our Goals and Objectives

Our Strategic Plan for 2009 to 2012 included three goals:[1]

- Foster well-managed Government
- Encourage meaningful reporting by Government
- Manage our business effectively

Exhibit 3 sets out our goals and objectives. On pages 65 to 81, we set out a summary of our strategic plan for 2009 to 2012 including our goals, objectives, general strategies, and action plans.

Exhibit 3—Our Goals and Objectives (2009 to 2012)

Goal 1 – Foster Well-Managed Government

Objectives:

1.1 Our stakeholders value our assurance and advice to strengthen the Government's accountability to the Assembly.

1.2 Our stakeholders value our assurance and advice to strengthen the Government's processes to achieve intended results.

Goal 2 – Encourage Meaningful Reporting by Government

Objectives:

2.1 The Government provides useful summary plans and results to the Assembly.

2.2 Significant agencies provide useful plans and results to the Assembly.

2.3 Our stakeholders value our timely assurance and advice on the Government's reports on plans and results.

Goal 3 – Manage Our Business Effectively

Objectives:

3.1 Our stakeholders understand and value what we do.

3.2 We continuously improve our work.

3.3 We embrace our guiding principles.

[1] During 2012, we updated our Strategic Plan to set our strategic direction for the next five years (April 1, 2012 to March 31, 2017). This plan is available in our *2013 Business and Financial Plan*. In next year's operations report, we will compare our performance against the *2013 Business and Financial Plan*.

Our Values

We are committed to earning the respect and confidence of our stakeholders and professional colleagues. We hold ourselves individually and collectively accountable in upholding the vision, mission, and values of the Office of the Provincial Auditor.

Independence – We maintain our objectivity in all of our work.

Innovation and Excellence – We challenge the status quo and strive for excellence to achieve positive results.

Trust and Integrity – We are professional, honest, courteous, and fair.

Leadership – We lead by example and encourage open communication and teamwork.

Relevance – We make a difference, serving as a catalyst for effectiveness and accountability in the public sector.

Balance – We support harmony between work, personal life, and community involvement as we strive to balance personal and professional goals.

Learning – We promote and foster a creative culture that stimulates personal and professional growth.

Diversity – We believe our strength rises from the diversity of our experience, knowledge and cultural backgrounds.

Accountability – We actively take responsibility for achieving positive results and for explaining our performance.

Factors Affecting Our Work Plan

Annually, we provide a detailed work plan to the Assembly. The work plan reflects our goals, values, and several other key factors.

Our work plans ensure we fulfill our responsibilities under *The Provincial Auditor Act*. The Act sets out the agencies we must examine.

When we prepare our work plan for the next fiscal year, it reflects known information about:

- the Government's revenue and spending
- the number of government agencies
- the quality of the Government's records, systems, and practices
- the Government's use of appointed auditors
- professional standards
- the co-operation we expect to receive from government officials and appointed auditors when we do our work
- the public's expectations

Forces and Trends Affecting Our Work Plan

Forces and trends also affect our work plans. Six major forces and trends affect our stakeholders (i.e., legislators, the public, and government officials). They also shape our work.

Advancing Technology – making possible new ways of communicating and providing services, quicker and often at less cost, but requiring attention to security and loss of privacy.

Changing Demographics – an aging population, a growing Aboriginal population, the depopulation of rural Saskatchewan, and increasing retirements.

Economic Constraints – increasing demand for government services and continued demand for lower taxes.

Globalization – a highly integrated and interdependent world with an increasingly mobile skilled workforce, strong international competition, and global standards.

Governance – the need for increased public confidence in government agencies and the increased expectation for public consultation in decision-making processes.

Pressure on the Environment – the sustainability of our environment balanced with the need for long-term economic activity.

These forces and trends have increased the public's expectations. For example, current technology gives the public more accessible information and knowledge about services and taxes in other jurisdictions. Changes in demographics will result in increased demands for services (e.g., health care). The Government's ability to manage scarce public resources and meet the public's increased expectations impacts public attitude.

In Saskatchewan, these forces and trends continue to strain public resources and how the Government organizes, delivers services, and ensures adequate participation in decision making.

Our Focus

We focus our efforts on helping legislators, government officials, and the public address the challenges emerging from these forces and trends. We encourage the Government to:

- Report on how it manages the risks related to advancing technology, changing demographics, economic constraints, globalization, and pressure on the environment
- Improve its management of risks for effective service delivery related to public sector human resources, the environment, and the public's valuable infrastructure including information technology
- Improve governance processes for better management of public resources
- Strengthen its management of complex accountability relationships with non-government organizations (e.g., service agreements with community-based organizations, public private partnerships)
- Improve the quality of information provided to legislators on the plans and results of the overall Government and each of its agencies including Crown corporations

Indicators of Success

We gauge our success by monitoring six general indicators. These indicators relate to key outcomes that we plan to achieve through accomplishing our goals and objectives.

1. Our stakeholders value our assurance and advice.

(goal 1, objectives 1 & 2)

- The Government acts on 80% of those recommendations that are more than one year old that do not involve major changes.
- The Government acts on 80% of those recommendations that are more than five years old that involve major changes.
- The Standing Committees on Public Accounts and Crown and Central Agencies accept 90% of our recommendations that they consider.

2. The Government and its agencies provide useful plans and results to the Assembly.

(goal 2, objectives 1 & 2)

- The Government's 2011 performance plan summary has improved when compared to our assessment of the 2009 plan.

- In 2011, 70% of significant agencies publicly report their financial and operating results compared to their targets including information on their key risks and how they manage those risks.

3. The Assembly receives our timely assurance on the Government's reports on plans and results.

(goal 2, objective 3)

- Our work is reported by established deadlines and within the planned costs set out in our Business and Financial Plan.

4. Our stakeholders understand and value what we do.

(goal 3, objective 1)

- The Government acts on 80% of those recommendations that are more than one year old that do not involve major changes.
- The Government acts on 80% of those recommendations that are more than five years old that involve major changes.
- The Standing Committees on Public Accounts and Crown and Central Agencies accept 90% of our recommendations that they consider.
- Our work is reported by established deadlines and within the planned costs set out in our Business and Financial Plan.
- Post audit questionnaires indicate a positive trend in satisfaction with our work.
- Our auditor reports publicly and positively on our performance (e.g., our financial statements, our compliance with *The Provincial Auditor Act*, the adequacy of our financial controls, and the reliability of one additional key non-financial performance indicators per year).

5. We continuously improve our work.

(goal 3, objective 2)

- Our staff time is used as set out in our Business and Financial Plan.
- Post audit questionnaires indicate a positive trend in satisfaction with our work.
- Our pass rates for students in professional accounting programs exceed national averages each year.
- Positive reports from The Institute of Chartered Accountants of Saskatchewan are received on our work.
- Positive CCOLA Peer Review reports are received on our work.
- Our work is reported by established deadlines and within the planned costs set out in our Business and Financial Plan.
- The Standing Committees on Public Accounts and Crown and Central Agencies accept 90% of our recommendations that they consider.

6. We maintain a positive healthy work environment.

(goal 3, objective 3)

- Our corporate culture surveys indicate a positive trend in our working environment.

Risk Management

Our Key Risks

Sound risk management is essential for us to help the Legislative Assembly hold the Government accountable for its management of public resources. To manage risk, we must identify, assess, and reduce to an acceptable level the possible adverse consequences that the Office may experience from events or circumstances.

We routinely identify and assess our risks. We have established processes to reduce the likelihood of adverse consequences to an acceptable level. We accept some risk because it is not cost effective to cut out all risks. The following are our key risks along with the key processes we use to reduce these risks to an acceptable level.

Our stakeholders do not support our goals and objectives. For the Office to remain viable, legislators, the public, and government officials (our stakeholders) should support our goals and objectives. Pursuing our goals and objectives must result in relevant assurance (audit reports) and advice for our stakeholders. As discussed more fully in the risks that follow, we have established processes so that we set goals and objectives that will result in relevant assurance and advice for our stakeholders.

The Government does not act on our recommendations. Doing independent, reliable, and relevant work at a reasonable cost is vital to our Office's success. These attributes are also essential for our stakeholders to value our advice. We must understand the challenges that the Government faces. Also, our advice must help improve program performance. In the risks that follow, we set out the processes that we use so that our assurance and advice is independent, relevant, reliable, and cost effective.

We do not adequately understand or respond to the challenges and risks faced by our stakeholders. If our assurance and advice is to be reliable, we must understand the challenges and risks faced by the Government. How the Government manages its risks affects the nature and extent of work we must do to report to the Assembly.

We must also understand the challenges faced by legislators and the public if our assurance and advice is to be relevant. To be relevant, our assurance and advice should result in better parliamentary control over government activities and better program performance.

On pages 65 to 81, we set out a summary of our strategic plan that enables us to understand the challenges and risks faced by the Government, legislators, and the public.

The Standing Committees on Public Accounts and Crown and Central Agencies are unable to fulfill their responsibilities. Our Office must provide assurance and advice that is consistent with the Committees' objectives.

The Standing Committee on Public Accounts is the audit committee for the Legislative Assembly. The Committee is a key agent of change for improving the Government's management of public resources. The Committee's mandate is to help the Assembly hold the Government accountable for its spending of taxpayers' money and for its stewardship over public resources. The Committee reviews, examines, and evaluates the activities of government ministries and Crown agencies. The Committee works with the Provincial Auditor to carry out the Committee's mandate.

The Standing Committee on Crown and Central Agencies helps the Legislative Assembly to hold the Government accountable for its management of public resources. The Committee considers matters relating to the Crown Investments Corporation of Saskatchewan and its subsidiaries, supply and services, central agencies, liquor, gaming, and all other revenue related agencies and entities. Since 2001, the Assembly has referred the parts of our reports

that relate to the Crown Investments Corporation of Saskatchewan (CIC) and its subsidiaries to the Committee for review. During those reviews, the Committee works with the Provincial Auditor to carry out the Committee's mandate.

Our Office must provide independent, relevant, and reliable information that is consistent with the Committees' objectives. To do this, our Office works closely with the Committees. Also, the Office provides the Assembly with an annual business and financial plan and an annual report on operations. The Standing Committee on Public Accounts reviews and provides its advice on these reports.

We lose or stakeholders perceive that we have lost our independence. *The Provincial Auditor Act* makes our Office responsible to examine all public resources managed by the Government (e.g., ministries, boards, corporations) and the Legislative Assembly (e.g., Board of Internal Economy).

The Act makes our Office independent of appointed and elected officials so that we can administer the Act without risk of intimidation.

The Act defines the agencies that the Office must examine. The Office decides what work needs to be done and how the work is carried out for the proper administration of the Act.

We guard our independence and report to the Assembly when we are concerned about our independence. Also, the Office has processes to maintain objectivity and independence in our work for the Legislative Assembly.

We provide inappropriate or incorrect assurance and advice. Stakeholders must trust and value our assurance (audit reports) and advice. Gaining and keeping their trust is essential to the viability of the Office. On pages 65 to 81, we set out our goals, objectives, general strategies, and action plans to ensure that our assurance and advice are reliable.

Also, in the next section (why systems and practices are important), we describe our quality control system to ensure that our work is reliable. These processes reduce our risk to an acceptable level. But, we recognize systems and practices sometimes fail because of factors such as procedural failures and human error.

We do not have the required competencies and resources to deliver our products and services. The quality of our work is dependent on the knowledge, skills, and abilities of our employees. We have established hiring processes and training programs to ensure we acquire and maintain the competencies we discuss on page 9.

To discharge our statutory duties, we need sufficient resources to employ the required competent people. We also need enough resources to equip, support, and house our employees. We need the support of legislators to get the required resources. To gain this support, we have established processes to ensure that our work is relevant to legislators and reliable. Also, we publish a business and financial plan and an annual report on operations to build legislators' support for our request for resources. When we do not have enough resources to pay for the cost of our work force, we reduce the size of our staff. When this happens, we do not do all the work the law requires us to do and we advise our stakeholders.

We do not manage our resources effectively. Our management practices must promote the effective use of our resources. We have established processes to keep this risk at a minimum. These processes include such things as setting direction, setting performance targets, monitoring our values, training staff, segregating duties, maintaining procedural manuals, delegating authority, processing transactions, reporting, and monitoring results.

Why Systems and Practices are Important

Strong systems and practices ensure we have proper processes to manage the risks that might prevent our Office from achieving its goals including sound financial management. The following briefly describes those systems and practices.

Systems and Practices for Achieving Goals 1 and 2

For the risks associated with Goal 1 (foster well-managed government) and Goal 2 (encourage meaningful reporting by government), we need systems and practices to ensure the quality of our work; identify and report opportunities for improving government agencies' performance reports and their management processes; and ensure that our work covers all government agencies.

Quality

The Office complies with the accounting profession's generally accepted standards of practice. The objective of these standards is to maintain and enhance the quality of audit work.

We established a system of quality control to ensure that the Office and its staff comply with professional standards and legal requirements. The quality control system also ensures that our reports are appropriate.

The Office's system of quality control includes the following elements: leadership responsibilities for quality within the Office; ethical requirements; acceptance of specific assurance work; human resources; engagement performance; and monitoring. We have documented the quality control policies and procedures and communicated them to staff.

The system of quality control promotes recognition that quality is essential in our work. The Office's internal documentation, training materials, and staff appraisal procedures reinforce the view that quality is essential in our work.

We maintain our objectivity and independence in all our work. We routinely ask our staff to know that they comply with our objectivity and independence standards. We also have policies to change senior staff on significant audits at reasonable intervals.

We have hiring, training, and performance evaluation policies to help staff have the knowledge, skills, and abilities needed to do their work. These policies also help us broaden our staff's skills in key sectors (e.g., health, education, and social services), information technology, and general management.

We use standard methods for carrying out our work and continually change the methods to reflect best practice. The methods cover how we plan, execute, supervise, review, and report our work. We monitor all our work to know that it meets our standard methods. Also, we have procedures for working with other auditors who audit government agencies.

Relevant Work

The following systems and practices help us encourage the Government to improve its performance information and processes to achieve intended results (management).

Our Office publishes its strategic plan that includes its goals, objectives, and general strategies. The strategic plan is the foundation for our annual business and financial plans. Our processes require us to review the internal and external environments to assess whether changes are required. This helps our Office direct its efforts toward relevant issues.

Our personnel policies ensure that our employees align their activities with our goals and objectives. Each employee's annual work plan shows how the employee will contribute to achieving our goals and objectives. We continually monitor our employees' work plans.

We have established standards that require us to report to agencies in writing our conclusions, findings, and recommendations after each audit. Those standards also require us to meet with agencies to discuss the findings and gain support for our recommendations. Also, we monitor management's satisfaction with our work. We also continuously seek advice from stakeholders when we work with appointed auditors.

Scope of Our Work

The following practices ensure that our work covers all government agencies.

The Legislative Assembly, Cabinet, and government agencies create or windup other government agencies. We monitor their actions and continually change our list of government agencies.

We prepare an annual work plan for the Office that covers all government agencies. We use a risk-based model to focus our work. We estimate the costs of carrying out the plan and ask the Assembly for the money to carry out the plan.

Systems and Practices for Achieving Goal 3

For the risks associated with Goal 3 (manage our business effectively), we need systems and practices to ensure that our stakeholders understand and value our work. We also need processes to ensure that our work is relevant, reliable, timely, and done at a reasonable cost. They help us improve our performance.

Stakeholders Understand and Value Our Work

The following processes help us communicate to our stakeholders who we are, our plans, and the results of our work.

We have processes to prepare reliable plans and performance reports. These documents convey vital information about our Office. We also have processes to make these documents accessible to legislators, the public, and government officials. And, we seek and monitor the views of our stakeholders on our plans and performance.

We have processes to report our assurance and advice to the Legislative Assembly and our other stakeholders in a clear, accessible, and timely manner. We monitor legislators' and the Government's acceptance of our recommendations. We also monitor the use of our reports by legislators, legislative committees, and the media.

Quality at Reasonable Cost

The following systems and practices affect the quality and cost of our services.

For Goals 1 and 2, we established systems and practices to ensure the quality and relevance of our work. These processes include identifying best practices. We continually compare the way we do our work with private sector auditors and other legislative auditors.

We have established systems and practices for the sound financial management of our assets. Our auditor reports publicly that our management systems and practices are adequate (see page 62).

We have established processes so that we report our work by established deadlines and within the planned costs set out in our business and financial plan. We forecast the cost of each audit and monitor the cost. We compare planned to actual costs, and we explain and act on differences. We also routinely compare our costs with private sector auditors' costs to audit government agencies.

Our most significant expense is salaries and benefits. We plan the use of our employees' time and monitor our employees' use of time. We compare planned to actual results, and we explain and act on differences.

Also, because the quality and cost of our work is directly related to our employees, we monitor our employees' views of our working environment.

Performance

What We Have Done

Background for Measuring Our Performance

We have three basic outputs (services). See Exhibit 1 on page 8. These are assurance (audit reports), advice (recommendations), and trained professionals for public service. Our advice is a by-product of our assurance work. We deliver our services in several ways.

We provide assurance and advice to government officials. We provide assurance by way of reports on the reliability of financial statements, compliance with authorities, and the adequacy of financial management systems and practices. We provide advice and assurance by way of letters to government officials setting out our conclusions, findings, and recommendations for improvement.

We also provide assurance and advice to the Legislative Assembly and the public in our reports to the Assembly. These reports summarize our work at government agencies. They provide assurance and advice on the Government, sectors of the Government, and on each government agency's financial statements, its compliance with authorities, and the adequacy of its financial management systems and practices.

As shown in Exhibit 1 (page 8), our assurance and advice results in two final outcomes. These outcomes are improved public confidence in government and improved performance in the delivery of government programs. We think the Government can gain improved public confidence by improving its performance reports (i.e., business and financial plans and annual reports). We also think the Government can improve the delivery of its programs by acting on our recommendations.

Our trained professionals leave our Office to work in the public sector. They contribute to improved management systems and practices in those agencies. During the year ended March 31, 2012, two employees who left the Office accepted a public sector position.

Our major input cost to produce our products is salaries and benefits. Salaries and benefits account for 77% of our spending. We monitor and report publicly on the use of staff time.

Reporting Publicly on Our Performance

Our target is to provide the Assembly with our business and financial plans and our annual reports on operations as required by *The Provincial Auditor Act.*

During the year, we provided the Assembly with our *Annual Report on Operations for the year ended March 31, 2011* and our *Business and Financial Plan for the year ending March 31, 2013* as required by the Act. These reports are available on our website.

Measuring Our Performance

We measure our success in achieving our goals and objectives by monitoring our performance targets for each of our six general indicators. We set out our "Indicators of Success" on pages 13 to 14.

The following discussion and exhibits provide a report card on our performance. We set out our actual and target performance by goal for each of our performance indicators.

Goal 1: Foster Well-Managed Government

We measure our success in fostering well-managed government based on the Government's and the Assembly's acceptance of our recommendations.

For 2012, we had our results for the performance targets for Goal 1 audited. The auditor reported that the performance information for Goal 1 is reliable. We include the auditor's report and the schedule on pages 55 to 58.

Government's Acceptance of Our Recommendations

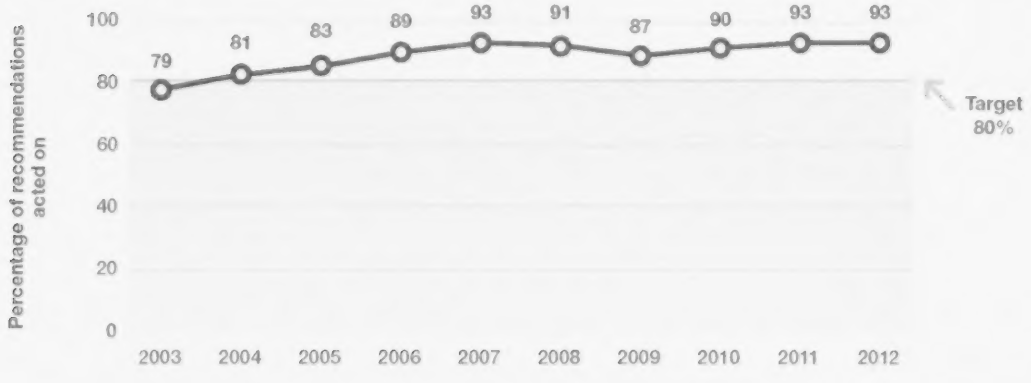
We group our recommendations to the Legislative Assembly for improving the Government's performance reports and the Government's delivery of its programs into two types. Type 1 recommendations are easier to carry out. Our performance target is that the Government will act on 80% of Type 1 recommendations that are more than one year old.

Type 2 recommendations are more difficult to carry out. Our performance target is that the Government will act on 80% of Type 2 recommendations that are more than five years old.

We track our Type 1 recommendations over a five-year period. From April 2007 to March 2012, we made 322 Type 1 recommendations. Of those recommendations, 264 are more than one year old.

For 2012, Exhibit 4 shows that the Government acted on 93% of the Type 1 recommendations that are more than one year old. In 2012, we achieved our target that the Government acts on 80% of our Type 1 recommendations that are more than one year old.

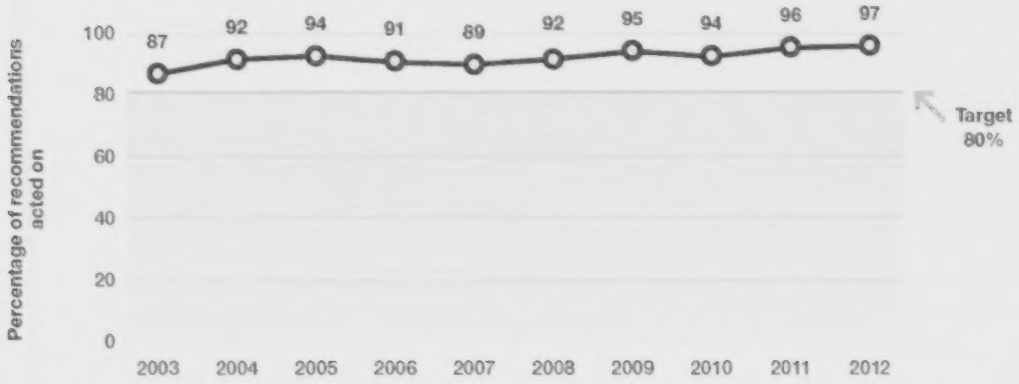
Exhibit 4: Percentage of Total Type 1 Recommendations More Than One Year Old Acted on by the Government



We track our Type 2 recommendations over a ten-year period. From April 2002 to March 2012, we made 503 Type 2 recommendations. Of those recommendations, 182 are more than five years old.

For 2012, Exhibit 5 shows that the Government acted on 97% of the Type 2 recommendations that are more than five years old. We achieved our target that the Government acts on 80% of our Type 2 recommendations that are more than five years old for the past 10 years.

Exhibit 5: Percentage of Total Type 2 Recommendations More Than Five Years Old Acted on by the Government



Assembly's Acceptance of Our Recommendations

The Legislative Assembly refers our reports to the Standing Committees on Public Accounts and Crown and Central Agencies. The work of these Committees is needed for our Office to help improve accountability and the delivery of government programs. Our performance target is that the Committees, and thus the Assembly, will agree with 90% of our recommendations.

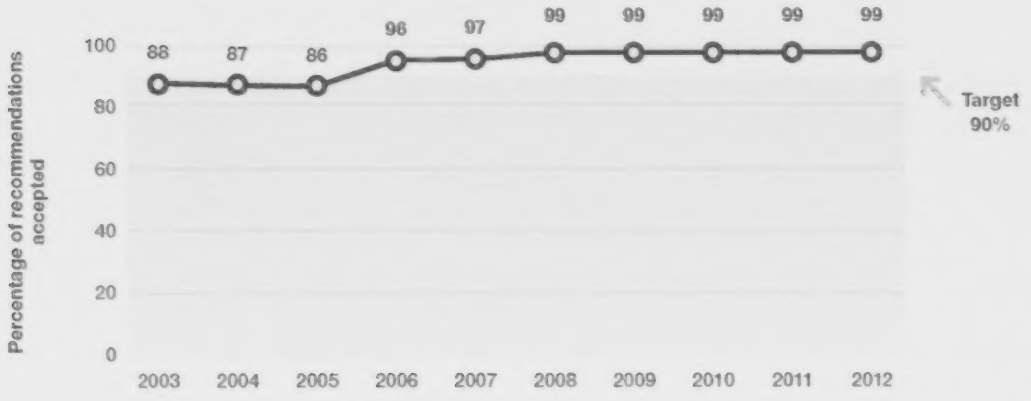
We track our recommendations to the Assembly for improving the Government's performance reports and the Government's delivery of its programs over a five-year period. During the five-year period ending March 31, 2012, we made 660 recommendations (Type 1 and Type 2).

As at March 31, 2012, the Public Accounts Committee has not reviewed and reported to the Assembly on 128 of our recommendations. As of March 31, 2012, the Crown and Central Agencies Committee has not reviewed 35 of our recommendations.

We measure our success based on the Committees' acceptance of our recommendations that they consider and report on to the Assembly. Our performance target is to have the Committees accept 90% of our recommendations.

For 2012, Exhibit 6 shows that the Committees accepted, or partly accepted, 99% of our recommendations that they have reported on to the Assembly. The exhibit shows that we have achieved our target in seven of the past ten years. In 2012, we achieved our target that the Committees accept 90% of our recommendations.

*Exhibit 6: **Percentage of our Recommendations Considered and Accepted or Partially Accepted by Legislative Committees in their Reports to the Legislative Assembly***



Goal 2: Encourage Meaningful Reporting by Government

We measure our performance based on the quality and extent of the Government's public reporting of its planned and actual results. We also measure our performance based on the extent that we provide the Assembly with timely assurance on the Government's reports.

Quality and Extent of Reports

Meaningful performance reports include reports on the activities of government and reports on the activities of significant agencies. We measure our success using two indicators.

For the first indicator, we decided that we would review the Government's 2009 performance plan summary as a benchmark for future reviews. The results of our review were included in our 2009 Report – Volume 3. In 2011, we noted that the form and content of the 2011-12 Summary Budget remained unchanged from prior years.

For the second indicator, we reviewed the annual reports available in 2011 of significant agencies. Our 2011 Report – Volume 2 (Chapter 26) contains the results of our review. Overall, the annual reports of CIC Crown corporations remained strong. Also, the quality of the annual reports of both ministries and Treasury Board agencies improved from our last assessment done in 2006. However, reports of ministries and most Treasury Board agencies did not include the agency's performance targets. We continue to encourage agencies to publicly report their financial and operating results compared to targets.

Timely Assurance on Reports

For all government agencies, we report on the adequacy of their processes to safeguard public resources, prepare reliable financial reports, and comply with the law. These types of assurances (audit reports) are important to legislators and the public.

To show leadership, we publish our auditor's reports on the adequacy of our financial management processes and compliance with the law in our annual reports on operations (see pages 62 and 63).

To have confidence in reported information, legislators and the public need timely assurance that the Government's reports are reliable. In this regard, we measure our success using one indicator:

- We expect to report our work by established deadlines and within the planned costs set out in our business and financial plans.

We describe our 2012 results below.

Goal 3: Manage Our Business Effectively

We measure our success in managing our business effectively based on the relevance, quality, cost, and timely completion of our work. We also assess our working environment and the reliability of our management processes and our public reports.

The following discussion and exhibits report our performance compared with our planned performance.

Quality of Our Work

We use three indicators for measuring our success in producing quality products for the Assembly. Our work needs to comply with professional standards, legislative committees need to be satisfied with our advice, and government agencies need to be satisfied with our work.

The Institute of Chartered Accountants of Saskatchewan periodically inspects our Office to ensure that we comply with professional standards. We expect that the Institute will report positively on our work. On pages 59 and 60, we include the Institute's inspection report. The report says that our work complies with professional standards.

In 2012, we participated in the Canadian Council of Legislative Auditors (CCOLA) Inter-jurisdictional Peer Review Process. The Office of the Auditor General of Ontario reviewed two of our value-for-money (performance) audit files. The objective of the review was to determine whether our audit work complied with generally accepted auditing standards of The Canadian Institute of Chartered Accountants (CICA). This report is included on page 61. The report says that our work complies with professional standards.

To measure the legislative committees' satisfaction with our advice (relevance), we monitor their acceptance of our recommendations. We report on pages 24 to 25 that the Committees accepted 99% of our recommendations in their reports to the Assembly. Based on this indicator, we think that the Committees are satisfied with our advice.

We want government agencies to be satisfied with our work. Our performance target is for survey results to indicate satisfaction with our work. For 2012, we had our results for this performance target audited. The auditor reported that the performance information is reliable. We include the auditor's report and schedule on pages 55 to 58.

This year is the fourteenth year that we surveyed government agencies about their satisfaction with our work. The work was related to our examinations of agencies during our fiscal years ended March 31, 2008 to March 31, 2012.

We sent 266 surveys to agencies and received 108 responses. We asked the agencies to tell us their satisfaction with our work as it relates to the following four areas:

- our planned work for the agency met its needs and that we carried out our work according to the plan (responsiveness)
- our employees were knowledgeable and carried out their work professionally and courteously (professionalism)
- our reports to the agency's Minister were understandable, fair, and accurate (reports)
- our recommendations to the agency were feasible and result in proper management of public resources and accountability (recommendations)

Exhibit 7: Agencies' Satisfaction With Our Performance

Criteria	2008	2009	2010	2011	2012
Responsiveness	satisfied	satisfied	satisfied	satisfied	satisfied
Professionalism	very satisfied	very satisfied	very satisfied	very satisfied	very satisfied
Reports	very satisfied	very satisfied	very satisfied	very satisfied	very satisfied
Recommendations	very satisfied	very satisfied	very satisfied	very satisfied	very satisfied

As set out in Exhibit 7, agencies are satisfied with our performance. Although we are pleased with the results for the 41% of the surveys (responses received), we are concerned that we do not know the level of satisfaction for the other 59%. We will continue to encourage agencies to respond.

Completion of Our Work

We measure our success in achieving goals 2 and 3 by completing the work that is set out in our business and financial plan by established deadlines.

We completed the majority of the work set out in our *2012 Business and Financial Plan*. We completed our 2011 Report – Volumes 1 and 2 to the Legislative Assembly. We also reported our audit conclusions, findings, and recommendations to each government agency.

We could not complete some of the work set out in our *2012 Business and Financial Plan* because of delays in receiving information from some government agencies.

We track the timeliness of our reports to government agencies. The planned dates are the dates that we agreed to provide our reports to government agencies. The reports include our assurance on the financial statements of government agencies and our advice on improving the agencies' financial management processes.

We provided 81% of our reports to government agencies by the agreed on dates (2011 – 83%). We continue to work on improving our performance in this area, specifically in relation to the issuance of managment letters. As mentioned above, our survey of government agencies show that agencies are satisfied with our work as it relates to responsiveness.

Costs of Our Work

Our performance indicator for the costs of our work is the planned costs set out in our *2012 Business and Financial Plan*. Our performance target is to complete the work within the planned costs.

Pages 48 to 51 show our actual costs for examining government agencies for years ending in the period January 1, 2011 to December 31, 2011 compared with our planned costs. We had the actual cost information audited. On page 47, the auditor reported that the information is reliable.

We completed most of our work within our planned costs. We explain significant differences between planned and actual costs on page 49.

Our Efficiency in the Use of Our Resources

We use two performance indicators for our efficiency in using our resources. We want to show that we are finding better ways to do our work. These indicators are our request for resources from the Assembly and how we manage our largest cost – salaries.

Each year, we prepare a detailed work plan to carry out our responsibilities under *The Provincial Auditor Act* and a forecast of the cost of that plan (see pages 48 to 49).

In our business plans for 2009 to 2012, we stated that we would absorb inflationary increases except for general salary and benefit increases that the Government gives to public servants. Our target for 2013 was to absorb inflationary increases except for: general salary and benefit increases that the Government gives to public servants; and the impact of our new 10 year lease costs. These targets do not include the net costs to audit agencies the Government creates or winds up.

Each year, the Government adds new government agencies that increase our workload and winds up government agencies that reduce our workload. These changes to our workload affect our costs. Our business and financial plans provide lists of the new and wound-up government agencies and their impact on our costs.

To manage our largest cost (salaries), we expect to use our employees' time according to our planned times set out in our *2012 Business and Financial Plan*.

Pages 53 to 54 show the actual use of our employees' and contracted staff time compared with our planned use. The actual information for 2010, 2011, and 2012 is audited. Our auditor reported on page 52 that the information is reliable.

For the most part during 2012, we used our employees' and contracted staff time as planned. On page 53, we explain significant differences between planned and actual time.

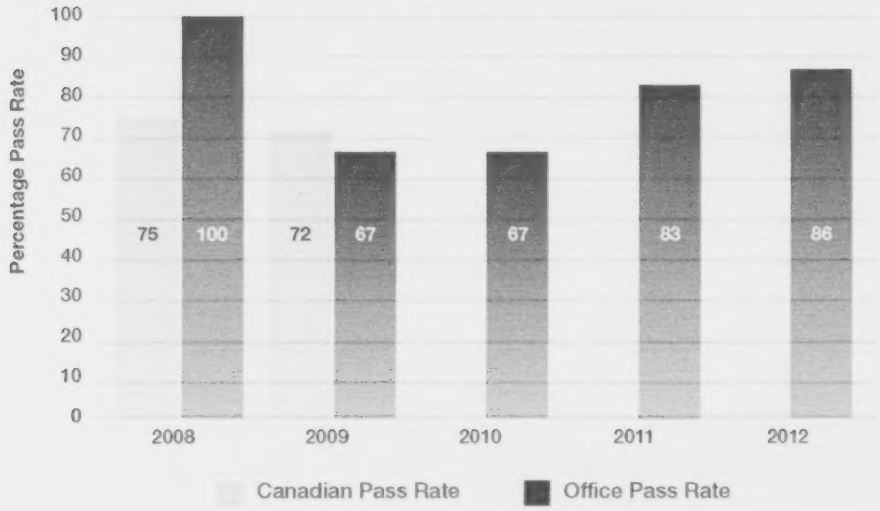
Developing Trained Professionals

We are a training office for people who want to become professional accountants. One of our measures of success is the number of employees who pass the uniform final examinations to become Chartered Accountants. Our performance target is to exceed the national pass rate.

Exhibit 8 shows the percentage of our employees who passed the uniform final examinations compared to the Canadian pass rate for 2008-2009. Beginning in 2010, the national pass rate is no longer publicly available.

We also train staff who want to become Certified Management Accountants (CMA) or Certified General Accountants (CGA). We did not have any CGA or CMA students in 2012.

Exhibit 8: Comparison of the Provincial Auditor's Office Pass Rate to the Canadian Pass Rate



Employees' Satisfaction with Their Working Environment

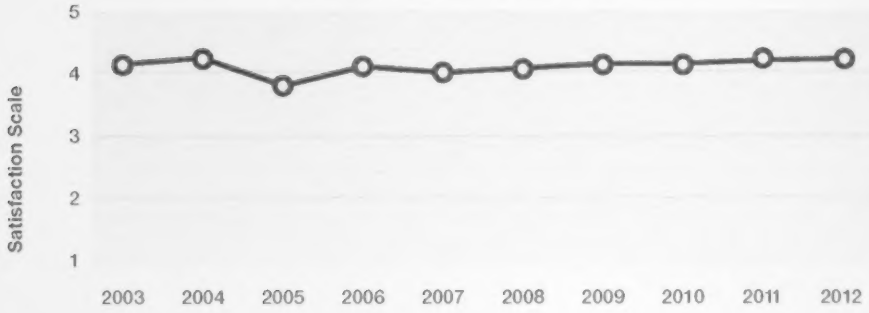
We want our employees to have a good working environment. We survey employees on satisfaction annually. The survey provides employees an opportunity to express their level of satisfaction with 13 key indicators of the Office's working environment.

We have surveyed employees for 19 years. For 2012, 83% of staff responded to the survey (2011 - 91%). The survey results continue to show a positive level of satisfaction with the Office's working environment. Our survey uses a rating scale of one through five where five is the most positive response. This year, the survey results had an average response of five for one of the indicators and an average response of four for 12 of the indicators.

Exhibit 9 shows the 10 year trend for the average response for all indicators. Our performance target is that employees are satisfied with their working environment. The exhibit shows employee satisfaction has remained positive over the past year.

For 2012, we had the results for this performance target audited. The auditor reported that the performance information is reliable. We include the auditor's report and schedule on pages 55 to 58.

Exhibit 9: ***Cumulative Average Response for all Indicators of Employee Satisfaction***



Our Stakeholders Need Assurance on Our Performance

The Assembly requires an audit of our Office. The auditor has the same audit responsibilities as our Office. We use the auditor's reports on our Office as key indicators of our success. Our performance target is that the auditor reports positively on the reliability of our financial statements, our compliance with *The Provincial Auditor Act*, the adequacy of our financial management systems and practices, and the reliability of one of our key non-financial indicators per year. In 2012, eight of our non-financial indicators were audited.

In this report, we provide the Assembly with the auditor's reports. On pages 35, 62, and 63, the auditor reports that our financial statements are reliable, we complied with the Act, and we had adequate financial management systems and practices. Also, on page 55, the auditor reports that our performance information for Goals 1 and 3 are reliable. On page 64, the auditor reports that there are no significant matters to report to the Assembly.

Financial Highlights

Discussion and Analysis of Our Financial Affairs

This discussion and analysis should be read with our audited financial statements on pages 36 to 43.

For 2012, we requested an appropriation of $7,620,000 and a contingency appropriation of $514,000 from the Assembly. Our *2012 Business and Financial Plan* includes a discussion of the amounts requested.

Our discussion and analysis includes explanations of significant variances. We analyze expenses compared to budget. We also analyze expenses compared to the prior year.

2012 Actual Expenses Compared to Budget

Our total operating expenses of $7,412,000 were $232,000 less than anticipated in our 2012 budget. The decrease relates to decreases in salaries and benefit expenses offset by increases in agent and advisory services and in facilities and equipment.

Our 2012 budget anticipated we would have 60 salaried staff and 2 contracted staff in 2012 for a total workforce of 62 full-time equivalent (FTE) positions. During 2012, we maintained 56 FTE salaried staff and 2 FTE contracted staff for a total workforce of 58 FTE. As a result, salary and benefit costs were $436,000 less than anticipated by the 2012 budget. Subsequent to the end of 2012, we hired 4 new professional audit staff to return our salaried complement to 60 FTE.

Our agent and advisory services were $173,000 more than anticipated when our 2012 budget was determined. These costs increased by $77,000 as a result of increases in the average cost per hour for the 2 FTE positions that we contracted throughout the year for audit and administrative assistance. The remaining $96,000 cost increase relates to the services we contracted for assistance in the process to update our strategic plan, implement a new office logo, redesign the Office's public reports, and redesign our accommodations.

Our facilities and equipment expenses were $39,000 more than planned. We upgraded some of our information technology system during 2012 to enhance security and remote access capabilities for our audit staff.

2012 Actual Expenses Compared to Prior Year

Total operating expenses for 2012 were about $47,000 more than 2011. During 2012, we maintained similar costs for all expense categories when compared to 2011. In both years, our FTE staff complement was lower than planned. As mentioned above, we have recently hired 4 new professional audit staff to return our salaried complement to 60 FTE.

The transfer to the General Revenue Fund of $713,000 includes the return of unused appropriations and other revenue as required by *The Provincial Auditor Act*.

The cost of our work is directly influenced by the types and amounts of revenues and expenses of the Government, the number of government agencies, the quality of the Government's records, the co-operation that we receive, and changing professional standards. Based on the information we knew about these factors at December 31, 2011, our request for resources from the Assembly for 2013 is $7,816,000 and $516,000 for a contingency appropriation. Our *2013 Business and Financial Plan* includes a discussion of the amounts requested.

The Legislative Assembly expects all Government agencies to provide a list of persons who have received money. Pages 84 and 85 show a list of persons who provided goods and services to the Office. The information in the list is similar to the information reported for government agencies in Volume II of the Public Accounts.

Management's Responsibility for Financial Statements

The accompanying financial statements, included in the Annual Report on Operations of the Provincial Auditor Saskatchewan for the year ended March 31, 2012, are the responsibility of management of the Office. Management has prepared the financial statements in accordance with Canadian public sector accounting standards. Management is responsible for the reliability and integrity of the financial statements and other information contained in the Annual Report on Operations. The financial information presented elsewhere in this annual report is consistent with that in the financial statements.

To ensure the relevance and reliability of the financial data, management maintains a comprehensive system of internal controls including an appropriate code of conduct, written policies and procedures, and an organizational structure that segregates duties. These measures provide reasonable assurance that transactions are recorded and executed in compliance with legislation and required authority, that assets are properly safeguarded, and that reliable financial records are maintained. The Office's processes for safeguarding public resources, preparing reliable financial reports, and compliance with legislation have been audited by the firm of Virtus Group LLP. Their reports to the Members of the Legislative Assembly, stating the scope of their examinations and opinions on the Office's management processes and compliance with the legislation, appear on pages 62 and 63.

Virtus Group LLP audited the financial statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and their opinion on the financial statements, appears on page 35.

Bonnie Lysyk, MBA, CA
Provincial Auditor

Angèle Borys, CA, CHRP
Deputy Provincial Auditor and
Chief Operating Officer

June 25, 2012
Regina, Saskatchewan

Independent Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying financial statements of the Office of the Provincial Auditor which comprise the statement of financial position as at March 31, 2012, and the statements of operations, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Office of the Provincial Auditor as at March 31, 2012, and the results of its operations, change in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Virtus Group LLP

June 25, 2012
Regina, Saskatchewan

Chartered Accountants

Statement 1

OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF FINANCIAL POSITION

As at March 31
(thousands of dollars)

	2012	2011
Financial assets		
Cash (Note 3)	$ 819	$ 899
Accounts receivable	4	4
	823	903
Liabilities		
Accounts payable	56	194
Accrued vacation pay	59	46
Due to the General Revenue Fund	708	663
	823	903
Net debt	---	---
Non-financial assets		
Tangible capital assets (Note 4)	131	114
Prepaid expense	92	94
	223	208
Accumulated surplus	$ 223	$ 208

(See accompanying notes)

Statement 2

OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF OPERATIONS

For the Year Ended March 31
(thousands of dollars)

	2012		2011
	Budget (Note 5)	Actual	Actual (Note 11)
Revenue			
General Revenue Fund			
Appropriation	$ 7,620	$ 7,620	$ 7,525
Contingency appropriation	514	514	503
Other	5	6	8
Total revenue	8,139	8,140	8,036
Expense			
Salaries	5,283	4,899	4,936
Employee benefits (Note 6)	885	833	803
Facilities and equipment	575	614	598
Administration	413	422	402
Agent and advisory services	313	486	453
Training and development	175	158	173
Total operating expense	7,644	7,412	7,365
Transfer to General Revenue Fund (Note 7)	519	713	670
Total expense	8,163	8,125	8,035
Annual surplus (deficit)	$ (24)	15	1
Accumulated surplus, beginning of year		208	207
Accumulated surplus, end of year		$ 223	$ 208

(See accompanying notes)

Statement 3

OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF CHANGE IN NET DEBT

For the Year Ended March 31
(thousands of dollars)

	2012	2011
Annual surplus (deficit)	$ 15	$ 1
Acquisition of tangible capital assets	(92)	(78)
Amortization of tangible capital assets	75	79
	(17)	1
Acquisition of prepaid expense	(92)	(94)
Use of prepaid expense	94	92
	2	(2)
(Increase) decrease in net debt	---	---
Net debt, beginning of year	---	---
Net debt, end of year	$ ---	$ ---

(See accompanying notes)

Statement 4

OFFICE OF THE PROVINCIAL AUDITOR
STATEMENT OF CASH FLOWS

For the Year Ended March 31
(thousands of dollars)

	2012	2011
Operating transactions		
Cash received from:		
General Revenue Fund		
Appropriation	$ 7,620	$ 7,525
Contingency appropriation	514	503
Other	6	8
	8,140	8,036
Cash paid for:		
Salaries	4,886	4,976
Supplies and other	3,242	2,762
	8,128	7,738
Cash provided by operating transactions	12	298
Capital transactions		
Cash used to acquire tangible capital assets	(92)	(78)
Cash applied to capital transactions	(92)	(78)
(Decrease) increase in cash	(80)	220
Cash, beginning of year	899	679
Cash, end of year (Note 3)	$ 819	$ 899

(See accompanying notes)

OFFICE OF THE PROVINCIAL AUDITOR
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2012

1. *General Information*

The Provincial Auditor Act establishes the Office of the Provincial Auditor. The Office is part of the Legislative Branch of Government. The Office:

- examines the administration of government programs and activities carried out by government ministries, health and education institutions, commissions, boards, and Crown corporations
- reports the results of examinations to the Legislative Assembly and the public
- helps the Standing Committees on Public Accounts and Crown and Central Agencies in their review of the Provincial Auditor's reports, the Public Accounts, and other reports

2. *Summary of Accounting Policies*

The Office uses Canadian public sector accounting standards to prepare its financial statements. The following accounting principles are considered to be significant.

(a) Revenue

The appropriation from the General Revenue Fund is recorded when receivable.

Other revenue consists of bank interest, which is recorded when earned.

(b) Tangible Capital Assets

Tangible capital assets are reported at cost less accumulated amortization. Amortization is recorded on a straight-line basis at rates based on estimated useful lives of the tangible capital assets as follows:

Computer hardware	3 years
Computer software	3 years
Furniture (desks, file cabinets)	10 years
Other furniture	5 years
Other equipment	3 years

3. *Cash*

Cash consists of interest-bearing money on deposit with the bank. The interest rates remained constant at 0.50% during the year.

4. *Tangible Capital Assets*

The recognition and measurement of tangible capital assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Office.

	2012 (000's)			2011 (000's)
	Hardware & Software	Furniture & Equipment	Total	Total
Opening costs	$ 454	$ 304	$ 758	$ 758
Additions during the year	48	44	92	78
Disposals during the year	21	9	30	78
Closing cost	481	339	820	758
Opening accumulated amortization	412	232	644	643
Annual amortization	54	21	75	79
Disposals	21	9	30	78
Closing accumulated amortization	445	244	689	644
Net book value	$ 36	$ 95	$ 131	$ 114

Annual amortization is included in Facilities and equipment expense in the Statement of Operations.

5. *Budget*

The Budget is the General Revenue Fund appropriation requested from the Standing Committee on Public Accounts to discharge the Provincial Auditor's duties under *The Provincial Auditor Act*. The Committee recommended an appropriation of $8,134,000. The appropriation includes statutory funds that are received annually. The Budget included on Statement 2 is presented on the expense basis of accounting.

The Budget is requested using an expenditure basis of accounting where non-financial assets acquired in the period are recorded as expenditures. The 2012 Budget and Actual using the expenditure basis of accounting are as follows:

	2012 (000's)	
	Budget	Actual
Revenue		
General Revenue Fund:		
Appropriation	$ 7,620	$ 7,620
Contingency appropriation	514	514
Other	5	6
Total revenue	8,139	8,140
Expenditure		
Salaries	5,283	4,899
Employee benefits	885	823
Facilities and equipment	551	654
Administration	413	420
Agent and advisory services	313	486
Training and development	175	145
Total operating expenditure	7,620	7,427
Transfer to General Revenue Fund	519	713
Total expenditure	8,139	8,140
Excess of revenue over expenditure	$ ---	$ ---

6. *Pension Plan*

The Office participates in a defined contribution pension plan for the benefit of its employees. The Office's financial obligation to the plan is limited to making regular payments of 7.1% of employees' salaries for current service. The Office's annual pension expense for 2012 was $349,285 (2011 - $357,049).

7. *Transfer to General Revenue Fund*

The Provincial Auditor Act requires that all fees charged and other revenues received by the Office be deposited to the General Revenue Fund. The Act also requires that any unspent appropriations be returned to the General Revenue Fund. The $713,189 transfer (2011 - $670,542) includes the Office's unspent appropriations and other revenue (i.e., bank interest).

8. *Financial Instruments*

The Office's financial instruments include accounts receivable, accounts payable, and accrued vacation payable. The carrying amount of these instruments approximates fair value due to their immediate or short-term maturity. These instruments have no significant interest rate and credit risk.

9. *Commitments*

During the year ended March 31, 2012, the Office and its current landlord entered into a new ten-year lease commencing April 1, 2012. Annual lease payments are $487,803 before escalation adjustments.

The Office is also committed to make future annual payments for operating leases of:

Year ending March 31	Amount (000's)
2013	$ 24
2014	$ 24
2015	$ 24
2016	$ 14

10. *Recent Accounting Pronouncements*

Financial Instruments

The Public Sector Accounting Board (PSAB) issued PS 3450 *Financial Instruments* to establish standards for recognition, measurement, presentation, and disclosure of financial assets, financial liabilities, and non-financial derivatives. As a result of issuance of PS 3450, there have been numerous consequential amendments made to other Sections. PS 3450 is effective for fiscal years beginning on or after April 1, 2012. The Office does not anticipate that these new standards will have a significant effect on its financial statements.

11. *Comparative Figures*

Certain comparative figures have been reclassified to conform with the current year's presentation.

Supporting Schedules and Reports

Independent Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying Schedule of Actual Costs to Audit Government Agencies of the Office of the Provincial Auditor for the period as described in note 1, which is prepared in accordance with accounting principles as set out in the notes to the schedule of financial information.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of this schedule in accordance with accounting principles set out in the notes to the schedule, and for such internal control as management determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this schedule based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the schedule is free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of the information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, this schedule presents fairly, in all material respects, the actual costs to audit government agencies of the Office of the Provincial Auditor for the period as described in note 1 in accordance with the accounting principles set out in the notes to the schedule of financial information.

June 25, 2012
Regina, Saskatchewan

Virtus Group LLP

Chartered Accountants

OFFICE OF THE PROVINCIAL AUDITOR
SCHEDULE OF ACTUAL COSTS TO AUDIT GOVERNMENT AGENCIES
(thousands of dollars)

	2012		2013
Government Agency	**Planned Costs (Note 5)**	**Actual Costs**	**Planned Costs (Note 5)**
Executive Council	$ 15	$ 16	$ 16
Information Technology Office	116	93	121
Legislative Assembly	93	97	96
Ministry of Advanced Education, Employment and Immigration	825	799	918
Ministry of Agriculture	307	286	275
Ministry of Corrections, Public Safety and Policing	174	172	234
Ministry of Education	788	634 (1)	752
Ministry of Energy and Resources	116	110	146
Enterprise and Innovation Programs	6	11	6
Ministry of Environment	180	188	187
Ministry of Finance	855	807	872
Ministry of First Nations and Métis Relations	56	47	58
Ministry of Government Services	89	87	104
Ministry of Health	1,067	1,007	1,151
Ministry of Highways and Infrastructure	102	98	93
Ministry of Justice and Attorney General	322	349	304
Ministry of Labour Relations and Workplace Safety	63	96	22
Ministry of Municipal Affairs	152	134	113
Ministry of Social Services	305	289	277
Ministry of Tourism, Parks, Culture and Sport	227	206	183
Office of the Provincial Capital Commission	11	16	12
Office of the Provincial Secretary	9	11	10
Public Service Commission	59	56	82
Crown Investments Corporation of Saskatchewan	83	55	85
Enterprise Saskatchewan	17	25	18
Information Services Corporation of Saskatchewan	17	16	18
Innovation Saskatchewan	12	13	12
Saskatchewan Development Fund Corporation	3	-	-
Saskatchewan Gaming Corporation	53	41	45
Saskatchewan Government Growth Fund Management Corporation	24	-	6

continued

Government Agency	2012 Planned Costs (Note 5)	2012 Actual Costs	2013 Planned Costs (Note 5)
Saskatchewan Government Insurance	97	86	109
Saskatchewan Liquor and Gaming Authority	251	263	246
Saskatchewan Opportunities Corporation	49	58	11
Saskatchewan Power Corporation	102	70	84
Saskatchewan Research Council	108	115	116
Saskatchewan Safety Council	-	20	-
Saskatchewan Telecommunications Holding Corporation	76	48	80
Saskatchewan Transportation Company	9	7	10
Saskatchewan Water Corporation	19	17	20
SaskEnergy Incorporated	74	55	121
Workers' Compensation Board	53	42	54
Government Wide, Sectoral and Special Issue Work	200	169	269
Legislative Committees & Public Reports	436	521 (2)	480
Total	**$ 7,620**	**$ 7,230**	**$ 7,816**
Costs remaining to complete audits not complete at March 31, 2012	--	562	--
Total	**$ 7,620**	**$ 7,792**	**$ 7,816**

(see accompanying notes)

Explanation of differences between actual costs and planned costs more than $75,000.

(1) Ministry of Education – Our 2012 actual costs are $154,000 less than planned. To complete all of our work would cost a further $56,000. As a result, our 2012 actual costs are $98,000 less than planned. Our costs to audit the school divisions were $130,000 less than planned as a result of decreased travel costs and fewer accounting issues requiring research. Our cost to assess the adequacy of the ministry's processes to increase the proportion of students who complete grade 12 was $22,000 more than planned.

(2) Legislative Committees and Public Reports – Our 2012 actual costs are $85,000 more than planned. To complete all of work would cost a further $4,000. As a result, our 2012 actual costs are $89,000 more than planned. In 2012, our time spent to prepare and publish our 2012 reports was more than planned. Also, fewer staff attended Legislative Committee meetings than originally planned.

OFFICE OF THE PROVINCIAL AUDITOR

NOTES TO THE SCHEDULE OF ACTUAL COSTS TO AUDIT GOVERNMENT AGENCIES

1. Purpose

This schedule shows the Office's actual costs, up to March 31, 2012, of auditing the various agencies of the Government for their years ending in the period January 1, 2011 to December 31, 2011 compared to the planned costs for that period. The schedule also shows the planned costs for auditing the various agencies of the Government for their years ending in the period January 1, 2012 to December 31, 2012.

2. Definitions

The following definitions are provided to help understand our cost allocation policies.

Total Costs - This is the total operating expenditure reported in our audited financial statements (see page 42).

Audit Hour - This is the time spent on the audits set out in the detailed work plans in our Business and Financial Plans.

Cost-Per-Hour - This is the hourly rate for an audit hour for each employee as set by the Office (See Note 3).

Direct Costs - These are costs other than salaries that are directly related to specific audits (e.g. employees' travel costs).

Actual Costs - These costs are determined by multiplying employees' audit hours times employees' costs-per-hour and adding to that result direct costs.

Average Cost-Per-Audit Hour - This is the total costs for the year less direct costs divided by the total audit hours for all employees for the year.

3. Cost Allocation Policies

The Office allocates its total costs each year to the audits carried out during the year. The Office uses reported audit hours set out in employee time sheets as the basis of allocation. Direct costs are charged directly to the relevant audit.

The cost-per-hour is based on the employee's pay and benefits and a portion of other costs (rent, office administration, and support services) allocated based on the office's expected time on audit activities. The cost-per-hour is adjusted periodically to reflect changing employee and office-wide circumstances.

The reported actual costs for each audit in the Schedule is determined by multiplying employees' audit hours for the relevant audit times the employees' costs-per-hour and adding to that result direct costs for that audit.

4. Additional Information

The Office's actual average cost-per-hour for 2012 is $109.85 (2011 - $102.63).

The Office's total actual direct costs for 2012 are $203,823 (2011 - $208,647).

Government agencies have various fiscal year ends (e.g., March 31, June 30, December 31). Due to the nature of auditing, some audit activity occurs before the government agencies' fiscal year ends; while other audit activity occurs after their year ends. As a result, employees' audit activities during our fiscal year relate to more than one fiscal year of a government agency.

Table 1 shows the actual costs of the audit activity we carried out during 2012 by the relevant fiscal year-ends of government agencies. Table 2 shows the years we incurred the costs to audit government agencies for years ending in the period January 1, 2011 to December 31, 2011.

Table 1

Total Costs for 2012
Allocated to Relevant Fiscal Year-ends of Government Agencies

Relevant Fiscal Year-ends	Costs Allocated ($ Thousands)
January 1, 2012 to December 31, 2012	$1,560
January 1, 2011 to December 31, 2011	5,391
January 1, 2010 to December 31, 2010	373
January 1, 2009 to December 31, 2009	74
January 1, 2008 to December 31, 2008	29
Total Operating Expenditures for 2012	$7,427

Table 2

Actual Costs to Audit Government Agencies
for Their Years Ending in the Period January 1, 2011 to December 31, 2011
by the Year We Incurred the Costs

Year We Incurred Costs	Actual Costs ($ Thousands)
April 1, 2011 to March 31, 2012	$5,391
April 1, 2010 to March 31, 2011	1,839
Total Actual Audit Costs Incurred	$7,230

5. Planned Costs

The planned costs set out in the Schedule are those presented to the Standing Committee on Public Accounts in the Office's *2012 Business and Financial Plan* and *2013 Business and Financial Plan*.

Independent Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying Schedule of Actual Time Spent on Tasks of the Office of the Provincial Auditor for the year ended March 31, 2012, which is prepared in accordance with the principles as set out in the notes to the schedule of statistical information.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of this schedule in accordance with accounting principles set out in the notes to the schedule, and for such internal control as management determines is necessary to enable the preparation of financial information that is free from misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this schedule based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the schedule is free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatements of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, this schedule presents fairly, in all material respects, the actual time spent on tasks of the Office of the Provincial Auditor for the year ended March 31, 2012, in accordance with the principles set out in the notes to the schedule of statistical information.

June 25, 2012
Regina, Saskatchewan

Virtus Group LLP

Chartered Accountants

OFFICE OF THE PROVINCIAL AUDITOR

SCHEDULE OF ACTUAL TIME SPENT ON TASKS

for the Period April 1, 2009 to March 31, 2012

	Actual			Planned	
Employee time	**2010**	**2011**	**2012**	**2012**	**2013**
Working hours	85%	85%	86%	85%	84%
Vacation leave and statutory holidays	12%	13%	12%	13%	14%
Sick leave	3% [1]	2%	2%	2%	2%
Total paid hours	100%	100%	100%	100%	100%
Working hours tasks					
Audits	67%	68%	68%	68%	68%
Support services	11%	11%	11%	10%	10%
Office administration	14% [2]	11%	13% [4]	12%	12%
Training	8%	10% [3]	8% [5]	10% [3]	10% [3]
Total work hours	100%	100%	100%	100%	100%
Total full time equivalent positions	59	62	58	62	62

(see accompanying notes)

Explanations of statistical differences in the use of employee time.

(1) 2010 was not a representative year for the office. Several staff required leave to recover from serious illnesses during the year.

(2) Administration time increased in 2010 to research and assess the impact of new accounting, auditing, and quality control standards on the work of the Office.

(3) Beginning in 2011, more training was required to maintain knowledge related to the new auditing and accounting standards. Planned time for 2012 and 2013 continues to anticipate this need.

(4) Administration time increased in 2012 as a result of updating our Strategic Plan, implementation of a new office logo, redesign of the Office's public report, and increased recruiting efforts to hire new staff.

(5) During 2012, some management and specialized training was deferred to meet audit deadlines.

OFFICE OF THE PROVINCIAL AUDITOR

NOTES TO THE SCHEDULE OF ACTUAL TIME SPENT ON TASKS

for the Year Ended March 31, 2012

1. Purpose

This schedule shows work tasks and the percentage of time spent on these tasks. The schedule shows actual percentages for the years ended March 31, 2010 to March 31, 2012. The schedule also shows planned percentages for these tasks for the years ended March 31, 2012 and 2013.

2. Definitions

Working Hours – This is the time available after deducting vacation leave, statutory holidays, and sick leave.

Vacation Leave and Statutory Holidays – Vacation leave paid. It is based on years of service. Employees also receive 12 paid statutory holidays.

Sick Leave – Sick leave paid. The amount of paid leave is based on years of service.

Total Paid Hours – This is the total of working hours, vacation leave, statutory holidays, and sick leave. Employees must work a minimum of 1950 hours per year to receive full pay.

Audit Hours – This is the time spent on the audits set out in the Detailed Work Plan. Audit hours do not include the time spent on support services, office administration, and training.

Support Services – This is the time spent on accounting, computer maintenance and support, and other administrative support.

Office Administration – This is time spent on human resource activities, internal committees and working groups, office-wide and group planning activities, and time that does not fall within any other working hours task category.

Training – This is time spent on staff development courses and seminars. The time includes both employee attendance time and instructor time when our employees instruct our courses.

Full-Time Equivalent Positions – Total paid hours divided by 1950 hours.

3. Time Allocation Policies

Employees and contract staff are required to record on timecards actual time spent on each task to the nearest quarter hour. The supervisors approve the timecards. The Office uses the information from the timecards to pay employees and contract staff and to monitor performance. The Office also uses this information to determine the costs to audit government agencies.

4. Planned Time

The percentages of planned time for 2012 set out in the Schedule are those presented to the Standing Committee on Public Accounts in the Office's *2012 Business and Financial Plan*. The percentages of planned time for 2013 set out in the Schedule are those presented to the Standing Committee on Public Accounts in the Office's *2013 Business and Financial Plan*.

Independent Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying Schedule of Performance Information for Eight Performance Indicators of the Office of the Provincial Auditor reporting management's progress in achieving stated objectives and performance targets for the year ended March 31, 2012, which is prepared in accordance with the reporting principles set out on page 56 of the Annual Report on Operations.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of this schedule in accordance with the reporting principles set out on page 56 of the Annual Report on Operations, and for such internal control as management determines is necessary to enable the preparation of performance information that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this schedule based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the schedule is free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office's preparation and fair presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. An audit also includes evaluating the appropriateness of reporting principles used and the reasonableness of significant judgments made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedule presents fairly, in all material respects, the Office of the Provincial Auditor's progress towards achieving stated objectives and performance targets in accordance with the reporting principles set out on page 56 of the Annual Report on Operations.

June 25, 2012
Regina, Saskatchewan

Virtus Group LLP

Chartered Accountants

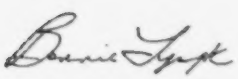
Management's Representation on the Schedule of Performance Information for Eight Performance Indicators

We prepared the performance information in accordance with the following principles:

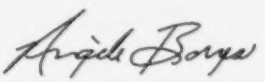
The performance information is relevant. It is related to stated objectives and performance targets and enables an assessment of our progress towards achieving the objectives and targets. It shows how we achieved the results and how we measured our progress towards the performance targets.

The performance information is reliable. It is based on data that are accurate, complete, and available over a long period of time and at a reasonable cost. It is derived from data that is fair and unbiased and capable of being replicated by independent and knowledgeable observers.

The performance information is understandable. It provides the level of detail needed to enable a proper understanding of performance and is limited to a key set of performance measures that are comparable over time and aggregated at appropriate and meaningful levels.



Bonnie Lysyk, MBA, CA
Provincial Auditor



Angèle Borys, CA, CHRP
Deputy Provincial Auditor and
Chief Operating Officer

June 25, 2012
Regina, Saskatchewan

SCHEDULE OF PERFORMANCE INFORMATION FOR EIGHT PERFORMANCE INDICATORS

For the Year Ended March 31, 2012

Goal 1:

Foster Well-Managed Government

Objectives:

1.1 Our stakeholders value our assurance and advice to strengthen the Government's accountability to the Assembly.

1.2 Our stakeholders value our assurance and advice to strengthen the Government's processes to achieve intended results.

Target	*Result*	*Discussion*
Measure: The Government's action on our recommendations that do not involve major changes.		
80% of our recommendations that do not involve major changes are acted on	93%	We achieved our target.
	(2011 – 93%)	The results for 2012 are based on all recommendations that are more than one year old and do not involve major changes made in the period April 2007 to March 2012.
Measure: The Government's action on our recommendations that involve major changes.		
80% of our recommendations that involve major changes are acted on	97%	We achieved our target.
	(2011 – 96%)	The results for 2012 are based on all recommendations that are more than five years old and involve major changes made in the period April 2002 to March 2012.
Measure: The Legislative Assembly's acceptance of our recommendations.		
90% of our recommendations that are considered by the Legislative Assembly are accepted	99%	We achieved our target.
	(2011 – 99%)	The results for 2012 are based on all our recommendations made in the period April 2007 to March 2012 and reported on by the Standing Committees on Public Accounts and Crown and Central Agencies.

Goal 3:

Manage Our Business Effectively

Objectives:

3.1 Our stakeholders understand and value what we do.

3.2 We continuously improve our work.

3.3 We embrace our guiding principles

Target	*Result*	*Discussion*
Measure: Agencies' responses to post-audit satisfaction questionnaires.		
Agencies are satisfied with our work	Agencies are satisfied (2011 – Agencies are satisfied)	We achieved our target. During the period April 2007 to March 2012 we sent 266 surveys to agencies and received 108 responses. Overall, agencies continue to tell us they are satisfied with our work as it relates to the following four areas: responsiveness, professionalism, reports, and recommendations.
Measure: Our students' success in professional accounting programs.		
Exceed the national pass rate	Our students 86% (2011 – Our students 83%)	The national pass rate is no longer publicly available. This measure and target will be reassessed in the future.
Measure: Practice inspection reports from Institute of Chartered Accountants of Saskatchewan (ICAS).		
Positive report from ICAS practice inspector	Positive report received in 2012	We achieved our target.
Measure: Peer review report from Canadian Council of Legislative Auditors (CCOLA).		
Positive report from CCOLA	Positive report received in 2012	We achieved our target.
Measure: Employee responses to corporate culture surveys.		
Employees are satisfied with our working environment	Employees are satisfied (2011 – Employees are satisfied)	We achieved our target. The results for 2012 are based on an annual employee survey. Employees express satisfaction with 13 key indicators of the Office's working environment.

Inspection Report

The Institute of Chartered Accountants of Saskatchewan
3621 Pasqua Street Regina, SK S4S 6W8
Tel 306 359 1010 Fax 306 569 8288
www.icas.sk.ca

August 18, 2011

Bonnie Lysyk, MBA, CA
Provincial Auditor Saskatchewan
1920 Broad St., Ste. 1500
REGINA, SK S4P 3V2

Dear Ms. Lysyk:

Practice Inspection # 2011123334

As part of the reporting and review procedures for the inspection of your office on August 18, 2011 I am providing you with the following:

1. Listing of files reviewed.

There were no reportable findings.

A final report will be sent to you after it has been considered by the committee.

I thank you for the co-operation and courtesy extended during the visit and please call if you wish to discuss these matters further.

Sincerely,

Gary Erickson, FCA
Director of Practice Inspection

The Institute of Chartered Accountants of Saskatchewan
5621 Pasqua Street Regina SK S4S 5W8
tel 306 359 1010 fax 306 569 8360
www.icas.sk.ca

December 20, 2011

PRIVATE & CONFIDENTIAL
Bonnie Lysyk, MBA, CA
Provincial Auditor Saskatchewan
1920 Broad St., Ste. 1500
REGINA, SK S4P 3V2

Dear Ms. Lysyk:

PRACTICE INSPECTION FILE #2011123334

At their meeting of December 14, 2011 the Practice Appraisal Committee reviewed the file relating to the inspection of your practice office, which was completed August 18, 2011.

The Committee is pleased to advise that no further action is required with respect to this inspection.

> The committee reminds you that inspections are carried out with the objective of determining if a member firm has policies, practices and procedures in place that would enable it to provide public accounting services in accordance with the standards of the profession. This is accomplished by reviewing responses to quality control questionnaires completed by the firm, by reviewing a selection of files and by discussion with partners of the firm.
>
> The inspection process is not intended to provide any assurance on the files and financial statements (compiled, reviewed or audited) and reports thereon issued by the firm.
>
> Enclosed is our invoice with respect to the above noted inspection.

Thank you for your courtesy and cooperation extended to Mr. Erickson during his recent visit.

Yours truly,

William Hill, FCA
Director of Regulatory Affairs
Secretary to the Practice Appraisal Committee

WH/rd

Encl:

Peer Review Report

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

May 4, 2012

Ms. Bonnie Lysyk, Provincial Auditor
Office of the Provincial Auditor of Saskatchewan
1500 - 1920 Broad Street
Regina, Saskatchewan
S4P 3V2

Dear Ms. Lysyk:

I have carried out post-audit issuance quality assurance reviews of two value-for-money audits issued by your office during 2011. My work was carried out in accordance with the protocol of engagement for the inter-jurisdictional review signed on April 16, 2012.

The objective of this engagement was to conduct post-audit issuance reviews of value-for-money audits to issue conclusions on compliance with generally accepted auditing standards of the Canadian Institute of Chartered Accountants (CICA). The review criteria used are part of the review tools approved by the Canadian Council of Legislative Auditors (CCOLA). These tools were established based on CICA standards and on issues deemed important by CCOLA. These review tools are the "Quality Assurance Guiding Principles" and the "Post-Audit Issuance Review Guide - Value-for-money Audits".

In my opinion, the audit engagements examined were carried out, in all significant respects, in accordance with generally accepted auditing standards of the CICA.

I have shared my observations with the staff in your office responsible for the engagements; however, these observations by no means affect the quality of the engagements examined, the work done, or the issuance of my conclusions on compliance with CICA professional standards. I also shared my observations on good practices.

Please convey my gratitude to your staff for their professionalism and close co-operation throughout this review.

Sincerely,

V. Mazz

Vince Mazzone, CMA, Director
Office of the Auditor General of Ontario

c: Ms. Angèle Borys, Deputy Provincial Auditor and Chief Operating Officer, Office of the Provincial Auditor of Saskatchewan

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the Office of the Provincial Auditor's control as of March 31, 2012 to express an opinion as to the effectiveness of its control related to the following objectives.

- To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- To prepare reliable financial statements.
- To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

We used the control framework developed by The Canadian Institute of Chartered Accountants (CICA) to make our judgements about the effectiveness of the Office of the Provincial Auditor's control. We did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The CICA defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

The Office of the Provincial Auditor's management is responsible for effective control related to the objectives described above. Our responsibility is to express an opinion on the effectiveness of control based on our audit.

We conducted our audit in accordance with standards for assurance engagements published by The Canadian Institute of Chartered Accountants. Those standards require that we plan and perform an audit to obtain reasonable assurance as to effectiveness of the Office of the Provincial Auditor's control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

Control can provide only reasonable and not absolute assurance of achieving objectives reliably for the following reasons. There are inherent limitations in control including judgement in decision-making, human error, collusion to circumvent control activities and management overriding control. Cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance and not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or that the degree of compliance with control activities may deteriorate.

In our opinion based on the limitations above, the Office of the Provincial Auditor's control was effective, in all material respects, to meet the objectives stated above as of March 31, 2012, based on the CICA criteria of control framework.

This report is provided solely for the purposes of assisting the Provincial Auditor in discharging her responsibilities and for preparing her annual report to the Legislative Assembly of Saskatchewan. The report is not to be referred to or distributed to any person who is not a member of the Office of the Provincial Auditor and should not be used for any other purpose. Any use that a third party makes of information contained in this report, or any reliance or decisions based on such information, is the responsibility of such third parties. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on information contained in this report.

Virtus Group LLP

June 25, 2012
Regina, Saskatchewan

Chartered Accountants

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have made an examination to determine whether the Office of the Provincial Auditor complied with the provisions of *The Provincial Auditor Act* pertaining to its financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the year ended March 31, 2012.

Our examination was made in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the Office of the Provincial Auditor has complied, in all significant respects, with the provisions of *The Provincial Auditor Act* during the year ended March 31, 2012.

This report is provided solely for the purpose of assisting the Provincial Auditor in discharging her responsibilities and for preparing her annual report to the Legislative Assembly of Saskatchewan. The report is not to be referred to or distributed to any person who is not a member of the Office of the Provincial Auditor and should not be used for any other purposes. Any use that a third party makes of information contained in this report, or any reliance or decisions based on such information, is the responsibility of such parties. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on information contained in this report.

Virtus Group LLP

June 25, 2012
Regina, Saskatchewan

Chartered Accountants

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

Re: Audit of the Office of the Provincial Auditor for the year ended March 31, 2012

We have completed the above noted audit and have issued our reports on the financial statements, internal controls and legislative compliance dated June 25, 2012.

In accordance with *The Provincial Auditor Act*, our responsibilities to report to the members of the legislative assembly also appear to include:

> To report matters that, in our judgement, are significant (exceptions/deficiencies), if any, which may impact the annual financial statements and related controls.

This report is based only on matters assessed and relied upon for purposes of our audit opinions on the office's financial statements, internal controls and legislative compliance. This form of report is referred to as a derivative report, i.e. it is derived from the process, procedures, and findings related to the audit.

Based on the above noted reporting requirements, we provide the following observations:

Governance and Management Control

- No reportable matters identified.

Systems Control

- No reportable matters identified.

Financial Statement Presentation and Disclosure

- No reportable matters identified.

Other Matters

- No reportable matters identified.

Detailed findings and observations with respect to internal controls, and/or financial statement presentation and disclosure are discussed with the Office's management during the course of and completion of our work.

Virtus Group LLP

June 25, 2012
Regina, Saskatchewan

Chartered Accountants

Summary of Our 2009 – 2012 Strategic Plan

Our Goals and Objectives

We have three goals. These are:

- foster well-managed government;
- encourage meaningful reporting by government; and
- manage our business effectively.

Pages 66 to 79 set out our goals and objectives for the period April 1, 2009 to March 31, 2012 for pursuing our mission. We also set out our strategies and action plans to manage the risks that might prevent us from achieving our objectives.

Pages 80 to 81 include a glossary of terms and abbreviations used in our strategic plan.

The indicators we use to measure our success in achieving our goals and objectives and our performance targets for these indicators are set out on pages 13 to 14.

Goals	Objectives	General Strategies
1. Foster well-managed Government	1. Our stakeholders value our assurance and advice to strengthen the Government's accountability to the Assembly.	1. Work with significant agencies on their processes to strengthen the accountability of the agencies they supervise.
		2. Encourage legislators to put in law sound accountability requirements for the Government (starting in 2009).
		3. Advise legislators of the state of the Government's accountability to the Assembly.

Action Plans

1. Keep informed of and share changes in accountability processes in other jurisdictions.
2. Work with key supervisory agencies to build capacity for results-based management.
3. Explain the importance of our assurance on key performance reports (results) to key supervisory agencies.
4. Encourage the use of the key elements of sound planning and reporting for the overall Government and for significant agencies.
5. Encourage significant agencies to ensure accountability to the Assembly in their agreements with others they supervise.

1. Advise legislators of new accountability legislation in other Canadian jurisdictions.
2. Promote the value of legislation to sustain accountability requirements.

1. Report on accountability arrangements that present the Government with significant risks (e.g., municipal governments, school boards, non-government agencies, public private partnerships, intergovernmental agencies).
2. Advise legislators of the impact of changes in key accountability arrangements to foster appropriate accountability to the Assembly.
3. Assess the adequacy of accountability in key agreements.
4. Provide input to the CICA on public sector accounting and auditing issues, and explain the impact to legislators, as needed.
5. Report to legislators on the state of the Government's overall accountability to the Assembly compared with other Canadian jurisdictions.

Goals	*Objectives*	*General Strategies*
1. Foster well-managed Government	2. Our stakeholders value our assurance and advice to strengthen the Government's processes to achieve intended results.	1. Evaluate the Government's processes to achieve planned results including its governance and risk management processes.
		2. Assess the adequacy of the Government's processes to manage its human resources, the environment, and public infrastructure including information technology.
		3. Assess the adequacy of the management of complex accountability relationships.
		4. Advise legislators of the challenges in managing the key forces and trends affecting the Government.

Action Plans

1. Examine the adequacy of the financial controls of government agencies.
2. Examine compliance with authorities by government agencies.
3. Examine the adequacy of processes used by the overall Government and significant agencies to manage key risks including delivery of services by other parties (e.g., school boards, non-government agencies).

1. Assess whether significant agencies have the key elements of a sound human resource plan.
2. Examine the adequacy of one significant agency's processes to implement its succession plan.
3. Assess the adequacy of agencies' management of significant infrastructure (e.g., health facilities, information technology, highways, energy distribution systems).
4. Assess the adequacy of controls for security of significant IT infrastructure.
5. Assess the adequacy of agencies' project management processes to implement significant infrastructure.
6. Assess the adequacy of agencies' processes to manage risks to the environment.

1. Assess the adequacy of processes to manage key intergovernmental and interagency programs.
2. Assess whether key supervisory agencies set out adequate control expectations to the government agencies they supervise and have adequate controls to monitor compliance with their expectations.
3. Assess the adequacy of processes to manage complex accountability relationships with non-government organizations (e.g., service agreements with community-based organizations, public private partnerships).

1. Report on the financial condition of the Government to help explain the economic constraints faced by the Government.
2. Encourage the Government to report on its assessment of its financial condition.
3. Report on new key challenges faced by the Government.

Goals	Objectives	General Strategies
2. Encourage meaningful reporting by Government	1. The Government provides useful summary plans and results to the Assembly.	1. Encourage key officials to improve the performance plan summary and reporting of results to the Assembly.
		2. Report areas for improving the performance plan summary and reporting of results.
	2. Significant agencies provide useful plans and results to the Assembly.	1. Assess key performance reports of significant agencies and sectors.

Action Plans

1. Meet with key officials to discuss the benefits of improving the performance plan summary and reporting of results.
2. Offer advice on processes to build capacity to improve the performance plan summary and reporting of results.

1. Assess the performance plan summary against SORP-2 reporting attributes to identify areas for improvement.
2. Monitor status of performance plans and reporting of results in other Canadian jurisdictions.
3. Discuss with key officials and legislators the benefits of legislative committees reviewing the performance plan summary and reporting of results.

1. Assess performance plans of significant agencies against SORP-2 reporting attributes starting in 2011.
2. Assess annual reports of significant agencies against SORP-2 reporting attributes starting in 2011.
3. Assess performance plans and report of results of sectors, within a year of the plans and results becoming public.
4. Assess the guidance key supervisory agencies provide to supervised agencies about key performance reports.
5. Assess whether 2 significant agencies have the ability to collect and analyze reliable performance information.
6. Encourage Finance to require Ministry financial statements for tabling in the Assembly.

Goals	*Objectives*	*General Strategies*
2. Encourage meaningful reporting by Government	3. Our stakeholders value our timely assurance and advice on the Government's reports on plans and results.	1. Provide timely assurance on government agencies' financial reports.
		2. Inform legislators of the benefits of providing assurance on government agencies' performance reports.
		3. Encourage government agencies to seek our assurance on their performance reports.
		4. Provide timely assurance on government agencies' performance reports for non-financial information.
3. Manage our business effectively	1. Our stakeholders understand and value what we do.	1. Ensure we have the resources and access to the competencies necessary to respond to the risks faced by our stakeholders.

Action Plans

1. Examine the reliability of the financial statements of the overall Government and of all government agencies.
2. Deliver our reports on the results of our work to government officials within the agreed upon time frame.
3. Deliver timely public reports on the results of our work to the Legislative Assembly.
4. During entry/exit meetings, advise officials of their need to be prepared for the implementation of the international financial reporting standards (IFRS), as applicable.

1. Report on the benefits of providing assurance on significant agencies' performance reports.

1. During the entry/exit meeting with significant agencies, encourage them to include an assurance report from our Office on their performance information.

1. Examine the reliability of key non-financial indicators included in the performance reports of 2 significant agencies.
2. Deliver our reports on the results of our work to government officials in the agreed upon time frame.
3. Deliver timely public reports on the results of our work to the Legislative Assembly.

1. Seek and monitor the views of our stakeholders on our plans and performance.
2. Prepare our resource proposals based on how we plan to respond to our risks and the risks faced by our stakeholders.
3. Clearly explain our resource proposals to PAC.
4. Maintain a competency-based framework for human resource management.
5. Maintain a sound human resource plan (including succession plan) that sets out required competencies and development plans.
6. Hire, train, and contract as expected in our human resource plan.
7. Use external experts as needed.
8. Use employee development plans and performance assessments to ensure we possess and maintain the necessary competencies.
9. Stimulate and support innovation.

Goals	Objectives	General Strategies
3. Manage our business effectively	1. Our stakeholders understand and value what we do.	2. Maintain our status as a recognized training office for professional accountants.
		3. Provide relevant, reliable, and timely service at a reasonable cost.
		4. Maintain support for our recommendations.
		5. Communicate in a clear, accessible, and timely manner.

Action Plans

1. Ensure the work experience provided to our professional accounting students meets the requirements of their governing body (i.e., CA, CMA, CGA).
2. Monitor the impact of the changes to the accounting profession's experience requirements on our ability to recruit and train professional accounting students.

1. Use a risk-based model to determine our work priorities.
2. Discuss audit requirements with government agencies at entry/exit meetings and document agreed-upon requirements in our audit planning memoranda.
3. Complete audit work according to the audit planning memoranda. If necessary, explain any significant changes to the plan.
4. Complete our work according to professional standards.
5. Monitor our performance using feedback obtained from government agencies (e.g., Post Audit Questionnaires).
6. Monitor our planned and actual costs and manage the impact of any significant differences.
7. Monitor information about costs of similar service providers to benchmark our costs.
8. Pay our staff based on market conditions.

1. Ensure our reports clearly explain deficiencies, consequences, and resulting recommendations.
2. Make clear presentations to boards, management, PAC, CCA, and the public.
3. Monitor acceptance of our recommendations.
4. Consider costs and benefits when making recommendations and set out recommendations in the context of key risks.

1. Use our key communication policies.
2. Make our reports accessible to our stakeholders.
3. Clearly explain our work and findings.
4. Strengthen our presentation skills.
5. Review current practice regarding timing and content of our public reports.
6. Monitor content of our public website to ensure information is current, relevant, and searchable.
7. Inform members of key legislative committees about the products and services that we deliver.
8. Distribute to our stakeholders a summary pamphlet outlining our role and the products and services that we deliver.

Goals	Objectives	General Strategies
3. Manage our business effectively	1. Our stakeholders understand and value what we do.	6. Maintain our independence and objectivity.
	2. We continuously improve our work.	1. Enhance our knowledge and skills in the areas of auditing financial reporting, financial controls, risks, accountability, and compliance with related authorities.
		2. Maintain special knowledge in the many diverse and complex businesses the Government manages.
		3. Maintain current and effective methodology.

Action Plans

1. Promote the basic principles for legislative auditors (i.e., refer to February 2000 CCOLA paper – *Legislative Audit: Serving the Public Interest*).
2. Explain our independence to our stakeholders.
3. Identify and respond to initiatives that might affect our independence.
4. Make staff aware of our need to be and appear to be independent (through objectivity policies).
5. Follow our policy for the rotation of key personnel on audits.

1. Maintain and enhance our internal training program (e.g., for changes in Canadian assurance and auditing standards and adoption of IFRS) using CCOLA resources when appropriate.
2. Pursue external training and development opportunities.
3. Participate on provincial and national committees (e.g., CCOLA, CICA, ICAS, IIA).
4. Keep our practices current by using our Practice Review Committee.
5. Use quality control processes to maintain consistent practices.
6. Monitor external organizations for risk management practices (e.g., Conference Board of Canada, CCAF, CICA, Australian Audit Office).
7. Be responsive to the impact of changes in professional assurance standards and best practice for reporting on financial control.
8. Seek opportunities, provincially and nationally, to make presentations and lead discussions in key areas of legislative auditing.

1. Maintain relevant specialities.
2. Ensure succession of key specialists on an ongoing basis.
3. Enhance knowledge transfer for complex audits and key government functions.
4. Allocate resources to enhance transfer of knowledge.

1. Monitor and learn from our experiences and the practices of our professional colleagues.
2. Challenge the status quo while ensuring quality control.
3. Support CCOLA's quality assurance process for ensuring the adequacy of our methodology.
4. Encourage harmonization of methodology within CCOLA.
5. Use the Professional Engagement Manual maintained by the CICA and CaseWare (or other appropriate sources) to document our audit work.
6. Monitor the impact of changes in Canadian assurance and auditing standards and IFRS on our methodology.

Goals	Objectives	General Strategies
3. Manage our business effectively	2. We continuously improve our work.	4. Develop expertise in auditing performance management.
		5. Offer our advice and training programs to others.
		6. Continue to strengthen and simplify our management information system.
		7. Continue to strengthen and simplify our administrative practices.
		8. Continue to strengthen and simplify how we plan, assess, and report our performance.
	3. We embrace our guiding principles.	1. We maintain a positive work environment.
		2. We maintain a healthy work environment.

Action Plans

1. Monitor and learn from our experiences and the practices of our professional colleagues in other legislative audit offices.
2. Encourage transfer of knowledge and skills for auditing performance management throughout the Office.
3. Support innovative audit approaches and sharing of experiences.

1. Offer advice and training to our professional colleagues (CCOLA, appointed auditors).
2. Offer advice and training to government officials when appropriate.

1. Adjust internal information systems (e.g., information centre, Intranet, databases) to respond to staff's needs.
2. Improve the ability of staff to access our internal information when they are away from the office.

1. Encourage staff to search for and share efficiencies.
2. Acquire quality goods and services at the best prices.
3. Improve the efficiency of preparing and issuing our reports.

1. Prepare an annual business and financial plan.
2. Use a risk-based model to determine our audit priorities.
3. Continue to improve our risk-based model.
4. Report publicly our plans and results.
5. Continue to expand the nature and scope of the assurances our auditor provides to legislators on our performance (e.g., our financial statements, our compliance with *The Provincial Auditor Act*, the adequacy of our financial controls, and the reliability of our key non-financial performance indicators.)
6. Reassess the performance targets for our indicators of success.

1. Respond to staff's concerns and trends identified in our corporate culture surveys.
2. Use the performance management process to help ensure staff are adequately trained and provided with challenging and varied work.
3. Use an exit interview process for staff leaving the Office.
4. Promote two-way feedback on staff performance.
5. Use appropriate communication methods to advise others of key information and decisions.
6. Improve communication of Executive Committee's key decisions.
7. Adjust workloads to facilitate a balance between work, home, and community.

1. Address all recommendations of the Occupational Health and Safety Committee (OH&S) in a timely manner.
2. Facilitate safe work practices as defined by the Office.

Strategic Plan Glossary

Accountability – the ability to demonstrate responsible action and report performance in light of agreed-upon expectations.

Action plans – the activities, time lines, and resources to accomplish goals and objectives and to implement strategies. Our action plans are carried out annually during the two-year plan, except where a specific date is indicated. The costs of our action plans are reported annually to the Legislative Assembly in our Business and Financial Plan.

Agency – an entity of Government accountable for public money.

Assembly – the Legislative Assembly of Saskatchewan.

Assurance – the Provincial Auditor Saskatchewan issues a written communication expressing a conclusion concerning a subject matter for which an agency is responsible.

Business plan – an agency's planned operations for the fiscal year.

CCOLA – the Canadian Council of Legislative Officers is an organization devoted to sharing information and supporting the continued development of auditing methodology, practices and professional development in legislative auditing.

Competency-based framework – the framework used for human resource management and policy development that identifies the competencies necessary for our Office to be successful. Competencies are the elements our Office must know, be able to do, and attitudes we must possess.

Control – those elements of an agency (including its resources, systems, processes, culture, structure, and activities) that, taken together, support people in the achievement of the agency's objectives.

Financial plan – an agency's planned revenues and expenses for the fiscal year.

Goal – a general statement of desired results to be achieved over an unspecified period of time.

Governance – generally refers to the processes by which organizations are directed, controlled, and held to account, and is underpinned by the principles of openness, integrity, and accountability. Governance is concerned with structures and processes for decision making, accountability, control and behaviour at the top of organizations.[1]

Government – ministries and Crown agencies as defined in *The Provincial Auditor Act*.

Guiding principles – the key values that are used to assist decision making.

Interagency – between two or more Government agencies.

Intergovernmental – between two or more levels of government (e.g., municipal, provincial, federal).

Mission – the broad, long-term purpose of an agency and its primary focus including the stakeholders to be served.

Objective – a measurable, time-defined result to be achieved that leads to the achievement of each goal.

Outcome – the consequence or result of activities (e.g., our work results in better management systems and practices; Members of the Legislative Assembly are better able to assess the performance of the Government as a result of our work).

Performance indicator – a factor chosen to monitor success in achieving objectives.

Performance plan – an agency's business and financial plan.

Performance report – compares an agency's planned and actual results (e.g., an annual report, financial statements).

Results – outcomes achieved and outputs.

[1] *Governance in the Public Sector: A Governing Body Perspective*. The International Federation of Accountants, p. 1, August 2001.

Risk – the possibility that an agency will experience adverse consequences from events or circumstances (e.g., a major financial, operational, or legal issue an agency must manage well for success in achieving its objectives).

Sectors – multiple government agencies working together to deliver common programs or to achieve common goals.

SORP-2 – The Canadian Institute of Chartered Accountants *Statement of Recommended Practice 2 - Public Performance Reporting*.

Stakeholders – those who have an interest in our decisions, including the people of Saskatchewan, Members of the Legislative Assembly and Standing Committees, and officials/managers/employees of Government.

Strategies – the approaches that can be taken to meet objectives and achieve goals.

Supervisory agencies – agencies that have some responsibility for other agencies.

Vision – a brief description of the ideal state.

Abbreviations

CCA – The Standing Committee on Crown and Central Agencies

CCAF – Canadian Comprehensive Auditing Foundation

CCOLA – Canadian Council of Legislative Auditors

CICA – The Canadian Institute of Chartered Accountants

ICAS – Institute of Chartered Accountants of Saskatchewan

IIA – Institute of Internal Auditors

PAC – The Standing Committee on Public Accounts

Supplementary Information

Employee Earnings

List of employees earning $50,000 or more and their earnings for the year ended March 31, 2012.

Ahmad, Mobashar	$168,278
Anderson, Mark	130,183
Bhat, Venkatesh	51,040
Borys, Angèle	158,468
Clemett, Tara	129,290
Deis, Kelly	130,183
Dickin, Deann	84,000
Drotar, Charlene	79,283
Ferguson, Judy	168,278
Halladeen, Aaron	76,733
Harasymchuk, William	116,555
Heebner, Melanie	90,770
Heffernan, Michael*	190,612
Hungle, Angie	88,749
King, Mark	57,833
Knox, L. Jane	134,596
Kress, Jeffrey	119,830
Lindenbach, Michelle	90,770
Lowe, Kimberley	117,340
Lysyk, Bonnie	208,491
Montgomery, Edward	165,176
Nyhus, Glen	130,183
O'Quinn, Carolyn	130,183
Ochieng, Jennifer	72,000
Russell, Stephanie	57,402
Rybchuk, Corrine	78,110
Schlamp, Perry	55,775
Schwab, Victor	130,183
Shaw, Jason	85,770
Slatnik, Jennifer	57,058
Sommerfeld, E. Regan	117,340
St. John, Trevor	100,431
Sych, Larissa	76,000
Tomlin, Heather	84,000
Volk, Rosemarie	130,183
Weyland, Grant	53,821
Yanyu, Melissa	80,000
Yee, Ken	55,450
Payees under $50,000	907,441
Recoveries and increase in accrued vacation leave payable	(3,729)
	$4,954,059

*Retired effective April 2, 2012

Suppliers

List of persons or organizations that provided goods and services to the Office of the Provincial Auditor for $50,000 or more for the year ended March 31, 2012.

CA School of Business	$ 67,160
FACT Computers (1998) Ltd.	108,549
Insight Canada Inc.	56,368
Institute of Chartered Accountants of Saskatchewan	54,273
MNP LLP (Regina and Saskatoon)	115,807
National Leasing	64,785
S & U Homes	364,336
Saskatchewan Blue Cross	78,342
Virtus Group LLP	75,173
	984,793
Suppliers under $50,000	798,632
	$ 1,783,425

Other Expenditures

List of statutory expenditures of the Office of the Provincial Auditor for $50,000 or more for the year ended March 31, 2012.

Public Employees Dental Plan	$ 73,494
Public Employees Pension Plan	347,003
Receiver General for Canada - Canada Pension Plan	126,764
Receiver General for Canada - Employment Insurance	56,540
	603,801
Other expenditures under $50,000	85,699
	$ 689,500